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The European Crisis

By ELLIOTT V. BELL*

Superintendent of Banks, New York State

New York Banking Superintendent sees Western Europe confronted with economic collapse with serious implications to us. Holds U. S. assistance must be forthcoming but countries aided should agree to expand production and restore financial stability. Says there is great plethora, rather than a dearth of dollars.

Within the past two months there have been piling up along the economic horizon the thunderheads of a great approaching storm. Western Europe is facing the immediate prospect of economic collapse unless the United States once again comes to the rescue.

Elliott V. Bell

As most of you know, I have only just returned from Europe, where I spent the better part of the Summer talking to bankers, businessmen, economists, public officials and people of all sorts in an effort to obtain a better understanding of this approaching crisis. As a result, I am convinced that the crisis

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*An address by Mr. Bell, at the Annual Convention of the National Association of Supervisors of State Banks at the Mayflower Hotel, Washington, D. C., Sept. 24, 1947.

The Market Significance of Low Price-Earnings Ratios

By L. O. HOOPER

Market Analyst, W. E. Hutton & Co.

Mr. Hooper maintains securities' present low price-earnings ratios reflect situation that dollar's buying power has depreciated everywhere but in stock market. Asserting non-recurrent element of present high profits is exaggerated, he offers 30-year tabulation of price-earnings ratios of Dow-Jones Industrials, showing they have been lower only five times. Believes margin restriction an important artificial depressant. Concludes current earnings are abnormally high but prices too low. Urges leisurely accumulation.

For months stock brokers and market letter writers have been contending that common shares are cheaper than anything else money can buy. In relation to earnings, stocks are cheaper than at any time since 1925. The spread between the yield on stocks and the yield on high grade bonds seldom, if ever, has been as wide. A share in the ownership of practically any American railroad or public utility company, and in a vast majority of industrial corporations, may be purchased in the stock market at less than the cost of physical reproduction.

L. O. Hooper

The sum of $10,000 invested in the stock market will go almost as far as it did at this time in 1939. It will not go anywhere near as far in the purchase of real estate, farm lands, a ranch, cattle, wheat, cotton, coffee or sugar. It takes close to ten dollars to buy five dollars' worth of food, 1939 values, at the grocery store. Some

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EDITORIAL

As We See It

Depression Forecasts and Their Uses

A fellow-subject of the late Lord Keynes, and a director of the "old lady of Threadneedle Street," is quoted in the current press as having expressed the opinion in a recent address that Britain was too hasty in accepting the loan from us last year, adding that had his country been a little more coy "America would have come begging us to take the money." Dispatches published in this country do not, so far as we have seen them, reveal the reasoning which led to this remarkable conclusion, but there is good ground for suspicion that such views are shared by a good many in Great Britain.

One can only suppose that the disciples of this odd doctrine are followers of Lord Keynes—or perhaps have been unduly influenced by the reasoning of one Mr. Stalin, whose reasoning would fully support such an idea. It hardly need be added that such ideas as these are quite convenient for Britain.

But it is not only abroad that strange ideas about an "inevitable depression" in the near future and the

(Continued on page 30)

World Planning in The Frying Pan

By MELCHIOR PALYI, Ph.D.

Dr. Palyi, commenting on the dollar shortage and the failure of restoring sterling convertibility, points out fundamental error was idea underlying postwar planning that U. S. would be plunged into a deep depression and American prices would fall. Looks for substantial decline in U. S. exports, but holds this will not cause a domestic recession since increased consumer buying and expanding construction activity will take up the slack. Sees European "soft money" countries increasing their exports to "hard money" areas in order to obtain needed dollars from abroad.

I.

British leftists, including the "Economist," while admitting that things at home are not quite as they should be, blame their unprecedented national crisis, the critical dollar shortage, primarily on the United States. The loan was not big enough; the terms — sterling convertibility in current transactions — were oppressive; and we depreciated the loan some 30% by raising our prices.

Dr. Melchior Palyi

The fallacy of the last point should be obvious: British buying with the aid of the loan, and similar excessive foreign purchases, were instrumental in raising American prices, especially of foodstuffs. Without the excessive foreign demand our farm prices would be at parity or below, in-

(Continued on page 32)

A United States of Europe

By DR. ROBERT LANN
Security Analyst, Hare's Research and Management, Ltd.
Former Owner of the "Prager Borsen Courier" in Prague

European economic expert discusses problems of proposed economic and customs union in Europe, and points out difficulties arising from differences in soil, in industrial development and in taxation systems which hinder unity among European countries. Concludes outlook for a United States of Europe is dark, and only a partial realization of the Marshall Plan is probable, with possible customs union between France and Italy, and another composed of Belgium, Holland and Luxemburg.

The European continent is divided by scores of border lines; most of the countries, however, are too small to build up and to feed an efficient economy. Hence, the Marshall Plan requires the creation of larger economic units. For only in broad markets can free enterprise raise the standard of living.


Robert Lann

Realistic observers do not expect the 15 European states which have remained on this side of the Iron Curtain to merge into one United States of Europe. Too many political questions are involved. The three northern states, Norway, Sweden and Denmark, have already declared they would not discuss a Nordic customs union though such intention was repeatedly discussed before the war. Being the neighbors of Russia, they could not afford a policy to which Russia was profoundly hostile.

In Central Europe, Switzerland has refused the idea of any customs union. To what other neighbor, however, could Austria turn for a union, Austria, this eternal problem child of the old continent which has been unfit for life since it was born in 1918. Whom should Austria join? Economically, she tends to Hungry and Czechoslovakia, but those are states in the Russian zone of influence. Should she be reincorporated into Germany? That would be the fulfillment of Hitler's dreams of a Greater Germany. Who on earth will take the orphan Austria?

On the southeastern tip of Europe, a customs union between Greece and Turkey is hard to contemplate because these two countries have nothing one could assemble for their mutual advantage. They have nothing of a constructive nature in common, not even a good neighbor policy. The only thing they have in common is poverty. Greece and Turkey are like two different worlds. Enemies from the beginning of history, from the Trojan War through the bloody massacre of 1920-21, the past has kept them separated one from the other. Historically, spiritually, socially—one is the direct opposite of the other. On the Greek side—A Christian world with the highest spiritual tradition. Athens—a city which gave the world its basic philosophy, its poetry and drama and its architecture. On the other side Byzantine and Asia, a Moslem eastern society. Except for the eleventh century when in the Cathedral of Hagia Sofia a cultural culmination was reached Turkey's past was wars followed by centuries of decay; for ages one called Turkey "The sick man

(Continued on page 38)

Banking Developments Indicate a Boom

By PAUL W. McCRACKEN*
Director of Research, Federal Reserve Bank of Minneapolis

Commenting on changes in banking pattern in last two years, Mr. McCracken points out recent heavy increases in demand for bank credit. Says inventory loans, though expanding, do not yet represent excessive proportion of business borrowing, and that only part of new construction is financed by bank loans. Says riskless days in banking have passed, and contends inflationary forces have been underestimated. Shows export rise not responsible for boom and warns bank loans on a too thin margin to finance excessive inventories or imprudent plant expansion may create future difficulties.

Fundamental changes in the pattern of bank assets have occurred during the last 18 months. First, the very liquid, shorter term U. S. Government securities represent a much smaller proportion of total investments than was true early last year. Second, since June of last year, bank loans have been rising at a rate not exceeded even during the 1920 boom. It is not inappropriate to remember that these developments have occurred during a boom of unparalleled magnitude and at a time when the price level has been moving steadily upward since 1933 (with the single exception of 1938).


Paul W. McCracken

The banking system came out of the war in a condition of almost unparalleled liquidity. Of total assets of $178 billion at the end of 1945, cash, reserve and balances due from banks accounted for $36 billion and U. S. government securities another $39 billion. These two items on the consolidated balance sheet together accounted for 42% of all banking assets. If the longer-term U. S. government securities were included, the figure would rise to 77%—a very impresssive degree of liquidity indeed.

The Treasury's cash redemption program which began early in 1946, has materially altered this picture. By the middle of this year, bank holdings of the shorter-maturity securities had declined to $15 billion, a reduction of almost 60% since year-end 1945. And the combination of these short-term securities and cash assets, which at the end of 1945 accounted for 42% of total assets, now make up only 29%. Conversely, the amount of longer term U. S. government securities held by banks has increased modestly from the $63 billion at year-end 1945 to about $67 billion by mid-1947.

Within the banks' portfolios of government securities therefore the last year and one-half has witnessed a material reduction in the relative importance of short-term securities—accenting a shift away from the most liquid and less risky assets.

Heavy Private Demand For Bank Credit

The recent rapidly expanding volume of bank loans has constituted a further major banking development. If loans for carrying securities are left out of the picture, there was an actual decline during the war in the volume of loans outstanding. Loans other than for the purpose of carrying securities, of $26 billion at the end of 1941 had declined to $24 billion by the end of 1945.

Private demand for credit during the war was quiescent for a number of reasons. The size of cash balances relative to the vol-

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*Address by Mr. McCracken presented at Federal Reserve Forum, Minneapolis, Minn., Sept. 19, 1947.

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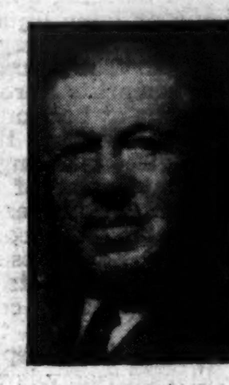
European Economic Cooperation —Within or Without the UN?

By FREDERICK HAUSSMANN

Professor of Economics, New School for Social Research, and Special Correspondent of the "Chronicle" at the Geneva Conferences

Political economist describes purposes of the Economic Commission for Europe (ECE) operating under UN, to solve German problems, to work with UN non-governmental organizations, to distribute raw materials, to organize transport, housing and electric power, and generally to reconstruct European economies. Warns, as did Keynes, that Europe's rebuilding may well be permanently ruined by political shortcomings.

GENEVA, SWITZERLAND — After the failure of the Moscow Conference and the rejection of the Marshall Plan for Europe by Mr. Molotov, the split of Europe and of Germany in particular into a western and an eastern part seemed unavoidable and to many people irreparable. Only a few optimists still believe in a full success of the coming November Conference in London between the Foreign Ministers of the Big Four concerning the German peace treaty.



Dr. F. Haussmann

But should the London Conference end again without constructive results, as did the Moscow Conference, some practical form of *modus vivendi* will have to be found nevertheless between East and West in order to bridge the present emergency situation and to prepare for long-run economic reconstruction in all European countries.

European Split Political

The European split is mainly a political one. It is not of an economic nature. Economically many basic questions remain to be settled for total Europe, not only for the western part of it. One of the greatest perils of Europe is the confusion and shortage in transport (railroads, roads, waterways and aviation). Railroad specialists think that elimination of red tape and of hoarding of freight cars, pooling of railways and reparation facilities and the gradual organic restoration of the whole railway system could do very much in reestablishing a new form of mutual cooperation between all European countries, not only with respect to the West. Poland's coal surplus has become an indispensable factor in the whole picture of European coal distribution. While Eastern agrarian countries are in urgent need for all kinds of machinery, they have surpluses in wheat, timber, etc., available for mutual exchange. In raw materials such as potash, chemicals and nitrates, and in many manufactured goods, in housing and in electrical power and equipment manifold possibilities of coordination and even of joint action are still open. Cooperation on a common European platform may prove more fruitful than complicated commercial barter agreements on a purely bilateral basis which mushroom now within Europe and between the different German zones. The recent idea of a European customs union is an indication that American economic thinking is moving in a similar direction.

As a matter of fact, a hopeful beginning in this field was made during the emergency situation and muddle immediately following the war in organizing a "European Coal Organization," a "European Central Inland Transportation Organization" and an "Emergency Economic Committee for Europe," which finally with its staff totaling about 450 began to deal with almost all aspects of European economic life. In May 1947 the so-called "Economic Commission for Europe" was formed within the framework of the United Nations and its Economic and Social Council with the idea of combining and merging all these different European emergency organizations, with the participation of Western as well as of Eastern powers. Two meetings of ECE have already been held in Geneva from May 2 to 14 and from July 5 to 16, 1947 under Eastern participation with some constructive results. After the rejection of the Marshall Plan by Mr. Molotov, however, a new Paris Conference of Western European Powers established some weeks ago another organ outside of the United Nations, the "Committee of European Economic Cooperation" under participation of 16 European countries, which was to examine particularly the possibilities of Western European self-help and the coordination of Western European resources.

But after the answers to General Marshall's questions have been completed—the "Economist" of London of Aug. 30, 1947, characterizes this stage of development somewhat ironically under the headline: The Entr'act Begins—the practical problem may arise again whether "European Self-help" should definitely be organized outside and apart from the United Nations set-up under subsidies of perhaps $15 billion or more, or whether in connection with U. N. an easier and perhaps cheaper way of European reconstruction could be found using all European resources of material and goodwill in a common effort.

It may be useful and timely therefore to review what has been

(Continued on page 37)

What Chance for Private Investment in the Western Hemisphere?

By HANS WIDENMANN*
Partner, Carl M. Loeb, Rhoades & Co.

Mr. Widenmann declares international capital investment will be resumed only when pressure groups and governments cease interfering with free judgment of market place. Holds Latin American countries cannot get their share of our capital, indispensable for their growth, unless they provide prerequisites in form of liberal foreign exchange and trade policies.

The notion that it is desirable to provide some substitute for the free play of markets is a pervasive one and manifests itself in many and devious ways. Pressure groups, demagogues or governments constantly find new reasons for distrusting or being unwilling to abide by the combined judgment of all interested parties, as arrived at in the marketplace. For the sake of power, politics or profits they seek either to by-pass the market or in effect to have someone in their group appointed to make the decisions rather than let the free interplay of uncoerced buyers and sellers be the arbiters. This international conference therefore is a welcome opportunity for all of us to consider the threats and the problems which confront us and to reaffirm our faith in the institutions which we represent and the principles on which they were founded.

Hans A. Widenmann

I am glad to record at the outset the prompt efforts made here right after the war to pick up the threads and to examine the possibilities of enlarging the security business done between us. Colonel John Haskell and Howland Davis, Vice-Presidents of the New York Stock Exchange, and Francis Adams Truslow, the President of the New York Curb Exchange, have been working on the problem and have visited you. This very meeting, held under the auspices of the Inter-American Council, is testimony to the desire to push forward, which is a good omen. Yet if we are truthful with ourselves, we will concede that the interrelations in securities are not only few and far between but clearly disproportionate considering the volume of general business we do with each other.

Now, of course, we are talking at a time when as a result of the war relatively few exchanges in the world are freely accessible to other countries; rather, for the most part such exchanges, as are functioning today in any true sense of the word, are operating within the more or less water-tight compartments of their own economies. Under the circumstances it is not surprising that at the present time so few branch offices are maintained by members of the New York Stock Exchange and the New York Curb Exchange in other countries of the Hemisphere. Canada is, of course, in a class by itself due to our very close economic and financial ties; in fact Canada and the United States may suitably be considered as one from the point of view of the topic that we are discussing here today.

*An address before First Hemispheric Stock Exchange Conference, New York City, Sept. 18, 1947.

Controls Are Restricting

At the same time many of us enjoy close correspondent relationships with firms in your various financial centers, some of whom I am glad to note are represented here among the delegates. Business, however, is hampered by the existence of the water-tight compartments — that is to say, the more or less general foreign exchange restrictions imposed on your nationals, preventing new acquisitions of dollars. Actually, there is a considerable interest in the American market in Latin America, particularly in Argentina, Brazil, Chile, Cuba and Mexico. There is no question that business would be much greater, were it not for those foreign exchange controls which pretty effectively prevent the flow of money and securities back and forth, so that actual business in American securities is largely confined to switching in already existing positions.

By the same token we are even less familiar with Latin American internal securities than you are with ours. The various discounts at which your internal securities are selling here insofar as there is any market at all reflect the relative pressures of those wanting to sell, which may include orders from Europe to get dollars, and the buying interest of American venture capital or brokerage demand building up positions in the hope of later liquidating in your markets once they have been reopened. The connections between these markts here and yours are tenuous at best and in most cases nonexistent, as the presence of the discounts suggests. Markets in "internals" of other countries in which business is done at a "discount" are common phenomin New York these days; that they reflect the effects of the mechanics of exchange controls and regulations rather than measuring the degree of depreciation of the other currency is well understood.

Free Markets Needed

Certainly history until World War II intervened, shows clearly that we are vitally interested in your countries, judged by the very substantial amount of capital invested in your various enterprises, not to mention the direct investments of American corporations operating in your countries; it may be taken for granted that this trend will be resumed provided only that you give us the prerequisite in the form of the restoration of free markets and free exchanges. In this respect the members of this Conference can be particularly helpful and render constructive service; that these prerequisites be furnished is also important for us, your counterparties on this end, for we too have obstacles to overcome to bring our common aim to fruition; there is no blinking the fact that the effects of your and our unhappy experiences with the over-lending and over-borrowing of the twenties are still with us; while the investor's losses in this field were not confined to the Western Hemisphere, the obstacles to be overcome to persuade any potential investor to go beyond our

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Competition, Price Policy and High-Level Stability

By EDWARD S. MASON*
Professor of Economics, Harvard University

Dr. Mason warns present rapid rise in prices indicates instability, and increased wages are causing rather than resulting in price increases. Points out price policy is dependent on market structure of particular items, and relative steadiness of some prices is due to small number of competing producers and adverse reaction to price increases. Holds agricultural prices are out of line, while readjustment of prices in other fields is sluggish. Sees another round of wage increases ahead because of trade union monopoly.

It seems necessary, at the outset, to devote a certain amount of attention to the meaning of high-level stability in the American economy. I take it for granted that stability does not mean employment if output and employment in the expanding industries and areas is about sufficient to absorb resources released by the contracting industries and areas. In this sense of the term the American economy, over the last year or so, has presented a remarkable example of high-level stability. Employment has declined in certain industries geared to war production and, more recently, in a limited number of non-durable goods industries, but the workers there released have been absorbed into employment elsewhere in the economy in remarkably effective fashion. The economy while highly dynamic has succeeded in maintaining a very high level of output and employment. The much advertised recession, which was just around the corner, has either come and gone or is still around the corner.

Dr. Edward S. Mason

During this same period, however, we have witnessed a drastic increase in prices and the end is not yet in sight. Since January, 1946 the level of wholesale prices has risen by more than 40%, and the cost of living by more than 20%. This represents a serious degree of inflation by comparison with any period of similar length in the past history of the United States. Organized labor and those dependent on profits can more or less protect themselves against this situation by successive rounds of wage and price increases. Nor is this process likely to degenerate into a galloping sort of inflation, largely because there exists in the economy a very sizable group of people who are dependent on relatively fixed income whose response will be to tighten their belts and reduce their consumption. It can be argued, furthermore, that there are certain advantages to be found in this increase in prices; it reduces the burden of the national debt and the incomes going to an unproductive rentier class in society. On the other hand a continuation of this process is likely to be accompanied by a breakdown of some pretty fundamental institutions and services in this country. Municipal services in particular but also Federal and State services are already in a bad state from the loss of effective personnel and the situation is going to get worse. The educational system of the country is already far gone in the process of disintegration and it is going to take a long time to build it up again.

*An address by Dr. Mason at the Second 1947 Economic Institute of the Chamber of Commerce of the U. S., Washington, D. C., Sept. 18, 1947.

Rising Prices Indicate Instability

All in all I do not believe, despite the fact that employment and output have been high, that we can describe conditions of the past year or so as high-level stability. Stability is not compatible to my mind with a 25-30% per annum increase in wholesale prices.

Employment and output have been high despite a very substantial shift in demand among the products of various industries because the American economy as a whole has been confronted with a very large volume of effective demand for its products. It may be taken for granted that a high level of employment and output can be maintained if effective demand is maintained. Furthermore we have been told by the past generation of writers on fiscal policy just how we need to go about it to maintain effective demand. Unfortunately these same writers have not told us how, while maintaining that demand necessary to the full employment of resources, we can also maintain some stability of wage rates and prices.

They have, it is true, recognized the existence of a problem but they have usually shrugged it off with more or less serious admonitions to business and to labor to exercise discretion and good judgment. It is by now clear, as it should have been clear earlier, that price and wage levels are not going to be stabilized by the self-restraint of business or of organized labor. As long as the economy is confronted by the volume of effective demand that is deemed necessary for the maintenance of full employment we can be nearly certain that, in the absence of price and wage controls, we shall have inflation. On the other hand if effective demand is not maintained we can be equally certain that high-level stability of employment and output will not be

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A moderate increase occurred in manufacturing activity last week with employment rolls reflecting peak levels and labor-management relations an air of general tranquillity. As in past weeks order backlogs continued large and the difficulty of obtaining some raw materials remained a problem that will not apparently be solved for some time to come.

Among the major industries that showed improvement last week was that of steel operations which advanced 5.4 points, or 6.0% above the preceding week with estimated production due for a further rise the current week. The automotive industry, notwithstanding a shortage of steel, managed to attain a new postwar production record of 110,088 units as compared with a revised figure of 106,095 in the preceding week. Carloadings of revenue freight and electric kilowatt output too, kept pace with other industries and forged ahead to establish fresh gains.

In the chemical industry industrial manufactures increased slightly with production of paints, varnishes and insulating materials at a very high level. Output of pharmaceutical products also showed a slight rise.

The production of textile machinery held steady at a high level with order backlogs continuing at a substantial level. The production of farm machinery, however, remained inadequate to fill the heavy demand but output of oil well supplies and equipment continued high.

Total civil engineering construction for the week declined 38% to $90,627,000 from $146,299,000. Private construction was 44% below the previous week's level, while public construction declined 30%. Lumber production too, declined almost 2% to 161,388,000 from 164,281,000 board feet as lumber shipments fractionally exceeded production.

Some slight improvement was noted in the manufacture of clothing despite continuing difficulty in obtaining some types of materials and skilled labor. Worsted mills operated at a high level and shoe production rose slightly.

Changes in the production of butter and cheese were negligible, though meat production increased almost 17%. Substantial quantities of food were canned with sardine output holding well above that of 1946.

Reversing the rise which began in December, 1946, business failures fell slightly in August to 287. However, it was the highest for any August since 1942 and three times as high as in August a year ago. The failure index, compiled by Dun & Bradstreet, Inc., dipped slightly in August, with 15.2 businesses failing per 10,000 concerns, compared with only 5.2 in August of 1946.

Liabilities turned sharply downward with losses less than half those in July. Aggregating $14,993,000, liabilities were the lowest since February, 1947; in comparison with previous Augusts, losses were heavier than in any year since 1938. A drop in the number of large failures with liabilities of $100,000 or more was chiefly responsible for the sharp July-to-August decrease.

The rise in commodity prices induced by unsettlement in the grain markets was to some extent averted last week with Dun & Bradstreet's wholesale food price index recording a gain of 10 cents as contrasted with a 31-cent rise in the week preceding. Dun's daily wholesale commodity price index following erratic fluctuations in foods and grains climbed to a new postwar high of 286.28 on Sept. 15, and closed the next day at 287.05. This compares with 283.53 recorded a week earlier, and with 224.35 a year ago.

Grain prices, which had slumped for four days after hitting record highs last week, curved upward again on Monday, last, in Chicago and were followed by a rise in cotton prices, the New York "Times" reports. Wheat, after dropping 38 cents a bushel last week, regained 9 cents on Monday on the strength of circulated reports that the Commodity Credit Corporation was buying cash wheat for export. Corn prices too, rose 1 to 4⅞ cents as the first frost hit the Midwest Corn Belt.

So grave has the food price situation grown that housewives have become increasingly vocal about high prices and a movement has already gotten under way by various consumer groups with pressure being applied on the President for the return of price control.

STEEL OUTPUT SCHEDULED TO RISE 5.3% ABOVE WEEK AGO

It will be many a month before the size of consumers' inventories become a factor in lowering steel ingot output in the country. From Maine to the West Coast an "Iron Age" survey indicates stocks of flat-rolled material are far below normal in all cases studied. Even among other steel products, below normal inventories were more prevalent than in those considered to be "about right" when measured against current demand.

Estimates made last fall and early this year that steel supply would catch up with demand have fizzled out completely. At the very time slated by those who predicted that steel supplies would

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Observations . . . .

By A. WILFRED MAY

FROM HITLER TO VISHINSKY TO WALLACE

Current Pollyannish commentary on the Vishinsky anti-US onslaughts at the beginning of this UN session reflects the unrealistic wishful thinking that persists regarding the real significance of Soviet intentions and policy. Thus some of our press, far from using them as a "war-mongering" stimulus on our people, has belittled them as being merely Moscow's latest gesture for home consumption to buoy up the spirits of her malingering Soviet slaves, while others have interpreted the motive as attempting to influence wavering European nations.

A. Wilfred May

This columnist claims neither to be a political strategist, a diplomatic psychologist, nor a propaganda expert. But he does believe it is not only extremely interesting but helpful toward deducing the significance and intent of Moscow's current propaganda line, to compare it with the prewar blasts of Mr. Hitler, the earlier proper evaluation of which might have spared us the subsequent tragedy.

We shall also demonstrate some counterparts in Mr. Wallace's utterances, which have so lamentably tended to divide us, as a possible clue to the real effect—if not intention—of the Moscow-Vishinsky line. The latter's motive, as has been Mr. Wallace's, may thereby be judged as an attempt to divide Americans, not to buck up Russians or pull Europeans into line.

The German-Russian comparison is also of interest because of the surprisingly large number of experienced political observers who, despite their earlier recognition of the imminence of War as a result of the Hitler behavior through the 1930s, nevertheless now are persistently denying the possibility of War resulting from the totalitarian imperialism when practiced by Moscow.

We shall not dwell here on the many detailed facets of similarity and difference in totalitarian techniques that Vishinsky duplicates the Fuehrer in tremendous physical energy and in vocal stridency. Or, on the other hand the difference in fundamental personal attitude and conviction. Vishinsky, like Gromyko, has the lawyer's attitude of putting on a death-grapple show in the open court of meetings, but of immediately thereafter fraternizing with his opponents. Thus the Russian "prosecutors" manifest a sophisticated tongue-in-cheek attitude at social events. Hitler, on the other hand, carried his fanatic's torch round-the-clock.

Similar Totalitarian Techniques

But basically the diplomatic arguments of the present Russian and past German propagandists embody various similarities. For example the gross inconsistencies in their external pleadings (Mr. Vishinsky's having been so well demonstrated this week by Mr. McNeil). There is the lie-repetition technique, and charging the victim with the aggressor's crimes, such as failure to observe international agreements. And Mr. Stalin, just as did Herr Hitler, masochistically takes refuge in complaining about the threat of "encirclement."

But we shall confine these reflections to paralleling the efforts which seem directed toward dividing the citizens of their "enemy" nations. In this sphere the foremost common thesis is the charge that war-mongering is conducted by the money interests a complaint levelled by the self-styled "have-not" against the "have" scapegoat.

"If there is one thing that is certain, that is that Churchill before 1914 was one of the world's greatest war-mongers and that the capitalists of today had then to cast their lot in on the side of war." — From Hitler's speech at the Sportpalast, Berlin, Jan. 30, 1942.

AND

"Two men only were responsible for enmity between the United States and Germany — Woodrow Wilson and Franklin Delano Roosevelt, the war-monger. I can well understand that there is a world-wide gulf between the outlook of President Roosevelt and myself. Roosevelt of course comes from a wealthy family and has had all the advantages of upbringing in that circle. I, myself came from a poor family and have always had to work for myself. During the First World War Roosevelt was able to go into politics and see to it that he made money. During inflation he went on earning money while I lived in hospitals. For years he wished there might arise in Europe a conflict in which by taking sides he might engage American industry." — From the Reichsfuehrer's speech in the Reichstag, as Germany declared war on the U. S., Dec. 11, 1941.

In his Sportpalast speech of Jan. 30, 1940, Der Fuehrer first accused the capitalist commercial interests of the democracies of having stirred up the war, and then termed it "a social war between nations, in which the have-nots are fighting the haves."

And similarly in the UN's placid Long Island setting we hear from Mr. Vishinsky that:

"In this propaganda of a new war the most active part had been assumed by the represen-

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Changes in Mun. Div. Of Northern Trust Co.

CHICAGO, ILL.—The Northern Trust Co., 50 South La Salle St., announces the following changes in the Municipal Division of the Bond Department: George J. Bielby is being transferred from Chicago to the office of the Bank's Representative in New York, and John F. Kehoe of the New York office is returning to Chicago.

Security Administrators To Hear at Convention

The National Association of Security Administrators will hold its annual convention in Jacksonville, Fla., from Sept. 29 to Oct. 4.

Speaking program for Oct. 1 will include addresses by Commissioner Richard R. McIntyre of the Securities and Exchange Commission on "The Federal View"; by Nathaniel L. Goldstein, Attorney General of the State of New York, on "Fraud—State Administrators' Views"; by James F. Merkel, Chief of the Securities Division of Ohio on "Registration —State Administrators' Views."

The program on October 2 will include addresses by a representative of the National Association of Securities Dealers; by F. C. Truslow, President of the New York Curb Exchange; by Murray Hanson, representative of the Investment Bankers Association; and by Emil Schram, President of the New York Stock Exchange.

Other speakers to appear during the course of the Convention will be Hon. J. Tom Watson, Attorney General of the State of Florida; Hon. Clarence M. Gay, Chairman of the Florida Securities Commission; and Hon. Edgar A. Brown, State Senator of South Carolina.

With Cruttenden & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Richard A. Sullivan has become affiliated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Sullivan was previously with Shields & Co.

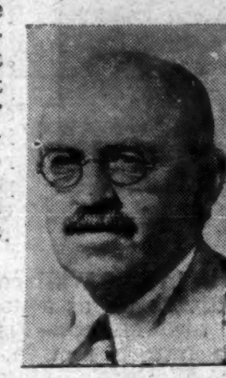
What Can Business Do About Pricing?

By HON. RALPH E. FLANDERS*

U. S. Senator from Vermont

Tracing effects of excessive wage and price rises, Sen. Flanders points out high wages, unless compensated by high prices, increase unemployment and thus check the inflationary spiral in competitive areas of business. Lays blame of recent price and wage rises to easy victory of John L. Lewis, and contends full employment under high wages ends in inflation. Looks for three possible courses: (1) a depression caused by excessive wage demands of certain labor groups; (2) reintroduction of wage and price controls; and (3) restraint, in public interest, in collective bargaining agreements.

A year or two ago, at a meeting of the Research Committee of the Committee for Economic Development, Sumner Slichter dropped the casual remark that the two major problems this country faces are these: "How can we get along with Russia?" and "How can we have full employment without inflation?" It is to the latter of these currently menacing problems that I would first direct your thought.



Ralph E. Flanders

A spiral in wage - cost - price - profit structure can be initiated either by wages or prices. Increased prices resulting from greater demand or higher profits can lead to a rise in wages. In the other case, increased wages can necessitate a rise in costs and in turn a rise in prices. As long as the pressure of demand remains, this spiral, regardless of the cause, continues upward.

When profits and prices have gone up in the so-called "competitive" price areas faster than wages, a point is reached where there is an unwillingness or an inability to buy, either on the part of consumers or business. This decline in demand results first in a fall in prices. This is followed by a decline in general demand, particularly in heavy industry. Production is cut and unemployment increases. This danger threatens today as farm prices soar. Important as is the boom-bust potential in the competitive price area, individual businessmen can do little in allaying the situation. But in the so-called "administered" price area, businessmen can do something. For that reason, my remarks will be concerned with the broad area of administered prices.

Effect of Excessive Wage Rates

A natural balancing of the wage-cost-price-profit structure assumes that when wages get too high for marginal producers to make a profit, and when in fact losses begin to appear, then by reduced operations to meet the lessened demand at necessary prices, or by more drastic shutdowns and business failures, the market for labor falls off and further general wage increases become obviously impossible to the employee groups, who would otherwise be demanding them. To put it briefly and baldly, increasing unemployment arrests the inflation spiral.

Some business prophets and analysts do not put the matter just that way. They say that a moderate recession will enable us to reach a more balanced price structure than we are now experiencing. Many of them look forward to such a recession as a healthful alternative to continuing inflation. They hope that the recession will come soon. If it does not, and inflation continues unchecked, they fear that the recession may deepen into a serious depression.

This judgment is a prudent and farsighted one. It is based on past experience. It assumes the periodic usefulness as a stabilizer of a degree of unemployment and of losses for high cost producers. We have, however, set the maintenance of full, or nearly full, employment as our social objective. We do not wish to condemn to unemployment for any great length of time any large number of those able and willing to work. We would not wish to permit more than the 2,000,000 or 2,500,000 of frictional unemployment, composed of those in seasonal occupations, or on the way from one job to another or voluntarily abstaining from employment for a time. If our object is a maintained high level of employment and production—and it is—how are we to prevent a seller's market in labor from bringing an uncontrolled expansion in wage demands in excess of increases in productivity, resulting in the continued operation of the wage-cost-price-cost of living spiral or bringing uncontrolled price increases whether or not wages increase?

This is not a hypothetical question. It is the question which our present condition puts to us, simply and directly. There is a seller's market in labor. That market exists because we have had the highest level of employment and the lowest level of unemployment in peacetime history. We have maintained these levels for a far longer time than most economists and statisticians thought possible. We have maintained them until the attending dangers became visible. The fabled Sphinx now clearly poses to us her fateful riddle: "Can we have continued high employment without progressive inflation?"

The next few months will bring an answer of sorts. We were enjoying a respite from the advancing spiral during the late Winter and Spring. Wages and prices were in an uneasy balance. The cost of living curve had flattened out and there was expectation of a decline. It was true that prices were not in line with each other and needed readjustment. Likewise wages in different occupations were out of line with each other and needed readjustment. As experience shows, only in real depressions can that be done by any other means than by leveling upward. Profits of the great majority of the business firms who publish their reports were unusually large for peace time. This gave promise of making an easy undertaking of the needed price and wage adjustments. The only intractable factor in sight was the cost of food, and with good harvests this was expected to level off, if not decrease. The whole outlook was hopeful.

In the early summer two disasters changed this hopeful picture. The first was the heavy rains and resulting floods which prevented planting corn and other grain crops at the proper season. This was particularly unfortunate so far as the feed grains were concerned. They enter into the cost of almost every food except fish, fruit and vegetables. Their abundance or scarcity is a determining factor in the price of meat, milk, butter, cheese, poultry and eggs. There might still be sufficient supply at moderate cost

(Continued on page 25)

*An address by Sen. Flanders before the Second 1947 Economic Institute of U. S. Chamber of Commerce, Washington, D. C., Sept. 18, 1947.

Lucius A. Andrew With Francis I. duPont & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Lucius A. Andrew, Jr., has become associated with Francis I. duPont & Co., Board of Trade Building. Mr. Andrew was formerly with Bache & Co. and in the past conducted his own investment business in Chicago.

H. O. Peet & Co. Adds

(Special to The Financial Chronicle)

KANSAS CITY, MO.—Charles R. Pruitt has been added to the staff of H. O. Peet & Co., 23 West Tenth Street, members of the New York Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

It seems about time to piece together the most recent episodes of America's exercising her leadership in world affairs. They have been breath-taking. They have been hilarious. It is doubtful, in fact, if in all time such a comedy has been wrought by the mind of man.

If, as the scientists intimate or would like to make us believe, we are approaching the end of the world, at least we in this country, should be able to exit laughing.

Carlisle Bargeron

You've got to go back several months. America had been taking her "rightful place in world affairs" for sometime. By that I mean we had supported a gigantic war. No other nation in the world had proved or even promised she could get to us, but we proved we could get to her. In order to prevent any debate in future wars as to whether the world had shrunk, any such debate as we had in the pre-Pearl Harbor days, we went out and shrank it.

Now, having shrunk it, it was plain to both man and beast that we had to be the leader of the shrunken thing. How should we go about leading? Why, give the other countries money, of course.

We are doing this right graciously, one would think, but apparently not fast enough.

Of a sudden, Mr. Truman comes back to Washington from an excursion, prepared to head off for another one in the Caribbean. He is told by subordinates, of whom you can bet he lost his appreciation, that a crisis had developed in Greece.

Whether the visit of our erstwhile OPA chief, Paul Porter, to a country, can be properly described as a crisis is open to debate. It is certainly a commotion and in New Deal semantics, "crisis" is probably about as good a word as any.

In his annoyance, Mr. Truman said, oh hell, send up a message to Congress asking for $350 million. To his amazement, he woke up the next day to find out that what he had done was the Truman Doctrine, similar to the Monroe Doctrine and that he had grown immeasurably in stature overnight to join the nation's immortals. Naturally, he rubbed his eyes and said what an amazing thing it is for a man who only a relative few years ago was a ward politician, to now be in the company of Washington, Lincoln, Churchill and Roosevelt.

The authors of this tremendous transformation of a $350 million handout into a tremendous piece of world statesmanship, were, of course, the bright young men with whom Roosevelt loaded up the government. The top level has been purged of the Leftists who kept waking us up in the middle of the night to spring some radical change, but the lower levels are still infested with them, and when you know what they are doing you have a pretty fair appraisal of the world's troubled state today. It will always be so as long as they are around.

The purpose of their craftsmanship in blowing up this ordinary handout to a great chapter of history, was to get, as I wrote at the time, an entering wedge for what now is coming. Congress said, in effect, oh no, there isn't anything momentous about this handout. No radical change from our traditional course is involved because we have been playing the sucker for a long time. We are going to authorize this handout but that's that.

The Congress didn't reckon, however, with the bright young minds who still infest our governmental bureaus, and particularly the State Department. They didn't reckon with the ability of these brilliants to play on the pocketbook nerve and bring some of our most substantial elements back of them.

Coming on down through the months, Secretary Marshall had to go up to Harvard, I believe it was, several weeks ago, and make a speech. At the time, you may recall, we were hearing that Britain would need a few billions more, Italy would probably have to have some money, France had got a hunk from the World Bank.

I was re-reading Marshall's speech today. It was one of those against sin and in favor of motherhood speeches. We were certainly interested in Europe's welfare, he said, but he thought their work of rehabilitation had to begin at home. Naturally we would help all we could.

The next day, so help me goodness, the bright young men had sold this to the press of the country as the Marshall Plan. It was, we were told, an "implementation" of the Truman Doctrine. Manifestly, you just can't have a doctrine without subsequently having it implemented. This is the ordinary progress of the world. A doctrine without an implementation would be a silly looking thing, and it goes without saying, that as a World Leader, we would look ridiculous leading with a silly looking thing.

In Europe, outside the iron curtain, the statesmen "sprang into action." This is what makes it so fascinating. We have been able to see, play by play, the erection of a structure. First, a Doctrine, second, an "implementation," and then, a " springing into action." Citizens have been arrested for pulling a fire box and then running around to the fire house to see the firemen slide down the poles. In this instance, nobody is arrested.

Well sir, these statesmen get together and appointed committees. You've got to have committees when statesmen spring into action this way. Statesmen came from nations unheard of. Seemingly new nations were carved out. Whereas, we had been looking only for Britain to come back for more, with Italy tagging along, we now managed to muster some 20 nations to "pool their needs."

Really, it's a scream. And what are they to do by way of carrying out their part of the "Marshall Plan" to rehabilitate themselves? Why, they promise to try to increase their production, they promise to try to stabilize their currencies, they promise to set up committees to study other things, such as custom barriers.

Will it get through Congress? There is scarcely a doubt. The farmers have been told by our politicians that the reason food costs are so high is that we are exporting too much. Being interested in the continued high costs of their products, they are becoming, I am assured by farm belt Senators, about as global minded as the international bankers.

What Future for Capitalism?

British, Swedish and French economists express views of future status of our economic system. Prof. G. Findlay Shirras praises Alexander Hamilton's system but says "old divine right of capitalism is gone." E. F. Lundberg, Swedish economist, foresees more state control and planning, while Prof. Alfred Sauvy pictures future capitalism geared to a high rate of taxation and must undergo profound modifications. V. K. R. V. Rao of India holds capitalism is doomed. Rueff confident of France's future. Winkler cites foreigners' unrealized assets.

"What Chance for a Capitalist World?" was discussed by a group of well-known economists from America, Europe and Asia, before the Associate Members of the New School for Social Research in New York City on Sept. 22. Prof. G. Findlay Shirras, of University College, Exeter, Eng., an expert on public finance, who is in this country investigating the Alexander Hamilton papers, praised the principles established in this country by Hamilton, and stated that "capitalism is an instrument promoting public welfare." But, he added:

"The old divine right of capitalism has gone. The entrepreneur is adjusting for society and is doing a great job, but capitalism for some decades will not be the same in western Europe or in Europe generally, as it is in a more free economy as in the United States. In other words, we must not follow dogmas, but realize the immense potentialities of free enterprise, management and techniques, but there is a necessity for watching red and green lights by planning as in this country where the President's economic advisors are at work; and a rigidity in regard to capitalism cannot therefore be accepted.

"Under the conditions of extreme scarcity, you must guide your resources, as in Germany today, into the best uses.

"There have been too many 'ISMS,' and this has produced conflicting creeds. The surge of anti-communist feeling is spreading in western Europe as it is in this country. And Alexander Hamilton would have realized, as he did when he put forward his view for protection as benefiting the country as a whole and not any particular class, the importance of the United States which today has 6% of the world's population, 20% of the world's goods and over one-half of the world's national income. He would have realized therefore the importance of the United States in the dynamic and free equalities of private capitalism and the part which she has to play. To Alexander Hamilton protection was a means of strengthening the power and wealth of the nation. Class interests had no interest for him and just as he was interested in capitalism and capitalist industry as an expression of nationalism, were he living tonight, he would be interested in capitalism as an expression not merely of nationalism but of internationalism."

* * *

A Swedish View

E. F. Lundberg, noted Swedish economist, maintained likewise that the prewar type of capitalism will not return. "We are bound to have a different institutional framework involving more state control and government planning. The important question is whether this development implies fundamental difficulties for the free-enterprise system, eventually leading to the end of capitalism."

Continuing, he stated:

"Let me mention four danger spots: (1) Remaining risk and fear of a new war, with the world staying divided in hostile camps. (2) The present postwar economic difficulties affecting more nations and lasting for a considerable time. (3) A new severe depression or stagnation period. (4) Growing hostility to the capitalist system, especially on the part of the working classes, implying too much socialization and planning, so that the free-enterprise system gets too little living room.

"These danger spots can very well be illustrated by studying the Swedish position. It must be borne in mind, however, that although these dangers are generally more apparent in Sweden than in the United States, the means of avoiding them are clearer.

"The first type of danger is the more imminent. A third world war would probably put an end to western civilization in Europe. But even a lasting war menace would successively diminish the changes of capitalism in many countries. In Sweden we consider free international trade as one of the main conditions for making a free competitive system work effectively inside our country.

"There is some likelihood of a serious after-the-war depression in the United States. Personally, I think that the risk is not great considering the preparedness of the government to intervene and a more stable and careful attitude on the part of business than ever before. And in Sweden where we have had no experience of home-made depressions, we think we have the means of combatting effectively depressive influences that we might have to import.

"The last two danger spots mentioned are closely correlated. As in most countries there is in Sweden the trend—accelerated by the war—to substitute central planning and decisions for decentralized entrepreneurial initiative. The longer the present scarcity situation lasts—with its most apparent symptom in the dollar crisis—the deeper will our planning and control measures become fixed into our institutional set-up. This will give less room for a dynamic free-enterprise system. Dangers arise that short-sighted aims dictated by political considerations will be satisfied at the cost of longer perspectives as, for instance, the necessary increase in productive capacity. This long-run point of view is in fact fairly well taken care of by the institution of private property.

"The present tendencies in Sweden in the direction of too-

(Continued on page 40)

Public Utility Securities

San Diego Gas & Electric Company

An offering of 300,000 shares of San Diego Gas & Electric Company common stock was recently successfully placed at 14½ by a syndicate headed by Blyth & Company. With a dividend rate of 80¢ the yield at this price was slightly over 5½%. The price-earnings ratio, however, is more difficult to calculate. Actual earnings for the 12 months ended June 30, 1947 were 92¢ a share and about the same figure is estimated for the calendar year. On this basis the price-earnings ratio would be fairly high—nearly 16 times. However, in the 12 month's period there were special charge-offs for additional amortization and plant acquisition adjustments totalling about $1,209,000 or some 97c a share. Added to the other earnings the total would be $1.89 and the price-earnings ratio would drop below 8.

These special charges are in the nature of non-recurring items, although portions of the total amounts will remain to be charged off next year (at a lower rate than in 1947). However, with rising costs and the possibility of a cut in residential rates if earnings are maintained at a high level, it does not seem safe to count on share earnings of $1.89.

Thus far we have calculated earnings on the basis of the present number of shares (1,250,000). Including the present offering the amount increases to 1,550,000. The proceeds are being used for part of a $16,000,000 construction program and theoretically, the new stock should "pay its own way." However, based on the larger number of shares the total share earnings (including special charges) would be reduced to about $1.52. Making allowance for other factors normal future earning power might be estimated at around $1.35.

On this basis there would seem to be a good possibility of an eventual increase in the dividend rate to $1. The present yield of 5½% seems a little below the average for similar companies possibly because an increase in the rate is considered a future possibility. However, it seems unlikely that any increase can be anticipated over the near-term future, and possibly not until 1949.

The company, like other West Coast utilities, has a fine growth record. Revenues this year are running well over twice the amount in 1939. Share earnings have remained very steady because of high taxes through 1945, and the special charges in 1946-7.

In 1946 utility plant, excluding intangibles, amounted to $58,117,000. Depreciation and amortization reserve was $18,361,000. Including estimated working capital, the estimated rate base would approximate $41,700,000. Net operating revenues in 1946 were $3,437,000, and the ratio to the rate base was 8.2%. This percentage is of course a little on the high side but it does not take into account the special charge-offs, which would reduce the figure to 5.2%.

San Diego's rates are low, average residential revenues in the first half of 1947 being about 2.51c per kwh. According to the prospectus, "The Public Utilities Commission of the State of California has in recent years adopted a plan of making frequent or continuous examinations of the rates of public utilities with the result that at approximately annual intervals, or more frequently in times of rapidly changing conditions, informal discussions are had between the Company and representatives of the Commission and of the City of San Diego. Such consultations in the past have resulted in a number of rate reductions by mutual consent."

San Diego G. & E. serves electricity to a population of 550,000 principally in San Diego County, California, and natural gas to a population of 470,000. Total revenues are about two-thirds electric and one-third gas. The company generates nearly all its electric energy. A new 50,000 KW plant is expected to go into operation early in 1948 and a second in 1950. Natural gas is purchased from Southern Counties Gas Company, but a small amount of manufactured gas is still produced from standby plants, because of the shortage of natural gas.

$6 Billion U. S. Private Capital Invested Abroad in 1946

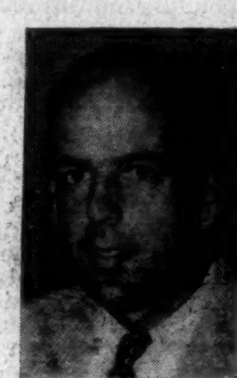
Robert H. Patchin, W. R. Grace & Co. executive, stresses continuance of trend is predicated on safety and fair treatment being accorded private capital.

In an article in the current number of the "Grace Log," issued by W. R. Grace & Co., Robert H. Patchin, Vice-President of that firm, discussing world economic problems said among other things that the "one force which can aid tremendously in recovery is the resumption of direct investments of private capital in foreign enterprises. It is estimated that not less than $1 billion of United States private capital was invested abroad in 1946 alone, in oil fields, mines and industrial enterprises. The continuance of this type of investment depends on safety and fair treatment of such enterprise. For the time being, the outright lending of private capital is overshadowed and retarded by the gigantic intergovernmental lending and borrowing."

Robert H. Patchin

Paul Ludlam Now With J. G. White & Co., Inc.

J. G. White & Co., Inc., 37 Wall Street, New York City, announce that Paul A. Ludlam has become associated with their trading department. Mr. Ludlam was formerly with E. H. Rollins & Sons, Inc., and J. Arthur Warner & Co.



Paul A. Ludlam

Consumers Pow. Bonds Offered at 102

A banking syndicate headed by Kuhn, Loeb & Co. and Union Securities Corp. is offering today $25,000,000 Consumers Power Co. first mortgage bonds, 2⅞% series due 1977. The offering price is 102 and accrued interest. The issue was awarded at competitive sale on Sept. 23 at 101.67. The proceeds will be used by the company to finance its expansion program.

Steiner Director of Namm's

Frederic G. Steiner has been elected a member of the Board of Directors of Namm's, Inc., Brooklyn department store, according to an announcement by Benjamin H. Namm, Chairman. Mr. Steiner is connected with the investment banking firm of Wertheim & Co. and is Chairman of the Finance Committees of the A. S. Beck Corp. and the Schiff Co.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank and Insurance Stock Digest—Discussing situation generally—Also contains tabulation, **"Insurance Stock Analyzer"**—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Convertible Preferreds—Memorandum discussing position of **Rome Cable Corp., Moore Drop Forging,** and **Northwest Airlines, Inc.**—Bond & Goodwin, Inc., 63 Wall Street, New York 5, N. Y.

Earnings and Asset Value Available at Discounts—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available is a discussion and opinion on **Mullins Manufacturing Corporation.**

"Now Is The Time"—Bulletin on current market situation—Strauss Bros., Inc., Board of Trade Building, Chicago 4, Ill.

Also available is a memorandum on **Graham Paige.**

* * *

Art Metal Construction Company—Special report—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available are special reports on the **Buda Company, Irving Trust Company, Pacific Portland Cement Company,** and **Towmotor Corporation.**

Beryllium Corporation—Analysis of growth possibilities—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Chicago, Rock Island & Pacific—Memorandum—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a memorandum on the **Final New Haven Allocations.**

Dixie Cup Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Graham-Paige Motors Corp.—Analysis—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also available are analyses of **Osgood Company "B," Tennessee Products & Chemical** and **Fashion Park.**

Inland Steel Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Kern County Land Co.—Memo discussing position as inflation hedge—Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

Lamson & Sessions Company—Special bulletin—Ward & Co., 120 Broadway, New York 5, N. Y.

Long Bell Lumber Company—Detailed analysis available for interested dealers—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

National Terminal Corp.—Memorandum for dealers only—Adams & Co., 105 West Adams Street Chicago 3, Ill.

Nekoosa-Edwards Paper Co.—New analysis in September issue of **"Business and Financial Digest"**—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Pennsylvania Railroad versus Northern Pacific—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Philadelphia and Reading Coal & Iron Company—Technical position study—Lober Brothers & Co., 30 Broad Street, New York 4, N. Y.

Public Service Company of Indiana—Memorandum—J. G. White & Company, Inc., 37 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Indiana Gas & Water Company.**

Skelly Oil Company—Memorandum—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Southern Production Company—Data—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are data on **Gruen Watch Company** and **Beryllium Corporation.**

Southwestern Public Service Company—Memorandum—J. G. White & Company, Inc., 37 Wall Street, New York 5, N. Y.

Suburban Propane Gas—Circular—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Union Oil Company of California—Memorandum—Newburger & Hano, 61 Broadway, New York 6, N. Y.

United Electric Coal Companies—Review—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

United States Leather Company—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Utica & Mohawk Cotton Mills, Inc.—Circular—Mohawk Valley Investing Co., Inc., 238 Genesee Street, Utica 2, N. Y.

COMING EVENTS

In Investment Field

Sept. 26, 1947 (St. Paul, Minn.)
Twin City Bond Traders Club Annual Golf Party at the Southview Country Club.

Sept. 28-Oct. 1, 1947 (Atlantic City, N. J.)
Annual Convention of the American Bankers Association.

Oct. 10-12, 1947 (Myrtle Beach, South Carolina)
Security Dealers of the Carolinas annual meeting at the Ocean Forest Hotel, Myrtle Beach, South Carolina.

Nov. 30-Dec. 5, 1947 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

Continental Casualty Stock All Sold

Glore, Forgan & Co. and William Blair & Co. announced Sept. 18 that of the 100,000 shares of Continental Casualty Co. capital stock (par $10) offered for subscription to stockholders at $40 per share, subscription warrants covering 94,738 shares were exercised and 5,252 shares were purchased by the underwriters and have been sold.

Our Role in European Recovery

By HON. W. AVERELL HARRIMAN*
Secretary of Commerce

Pointing out adverse effects of war on European economy and resulting distress, Secretary Harriman cautions, despite our aid, road back to recovery will be long. Although asserting we must help other countries to become productive, we must also consider in what manner our support can best be given to assure preservation of our own well-being, maintain our foreign trade and keep world peace. Cites need of coal and wheat by Western Europe, and suggests voluntary reduction in U. S. food consumption to aid foreign distress.

It is important that we take a careful look today at what is happening in Europe. War itself is man's ultimate expression of the excessive. The last war was the most excessive of all wars that have occurred since men first fought. It was, as nearly as one can estimate, about seven times as destructive as the first World War.

W. Averell Harriman

As the war itself in terms of numbers of men engaged, areas involved and destruction wrought is beyond human comprehension so, too, it is not surprising that nowhere in the world were men able at first to realize the extent of the cost of reconstruction. It was natural for men to believe that recovery of the war-stricken countries would proceed somewhat comparably to that which was achieved after the first World War. But that, as you know, is far from the case and it is only now that people realize this melancholy fact.

Yet while the productive equipment of many other nations was being destroyed by war, the United States, geographically remote from the conflict, not only maintained its productivity but greatly increased it. During the war we produced so much that within a relatively short while we constructed a gigantic navy, air fleet and merchant marine, at the same time equipped more than 14 million men and helped feed and equip our Allies.

We are now incomparably the most productive country in the world. Of paramount importance is the maintenance and expansion of our productivity. We are profoundly conscious of what this means by way of maintaining a peaceful and prosperous world. There must be a constant flow of two-way world trade in order to preserve our own standard of living. The disparity between our production and that of formerly great productive countries is reflected in current talk about the "dollar shortage." What does "dollar shortage" signify? It is brought about by a shortage of industrial and agricultural products in almost every country outside this hemisphere.

Role of U. S.

Because destruction has reduced productivity elsewhere and the effective removal from international trade channels of much of Eastern Europe, much of the world must turn to the United States for farm and factory products. Others need our goods but they don't have enough products of their own to sell in exchange. Hence they are short of dollars needed to buy here.

The United States has done much to relieve the hardships with which others are confronted. Immediately after the war we took leadership in sending abroad great quantities of things to prevent distress. These shipments were largely financed by us and to a lesser extent by other nations who were able to help.

We have also extended credit to countries temporarily unable to meet their own needs. As you know, we have lent money to Britain, France, Italy and others. We are helping the Germans and the Japanese to rebuild their lives under democratic institutions. All Americans, I think, can take solemn pride in the fact that no nation in the history of man has done so much to relieve the stress of others—victors and vanquished alike—as this nation has done since the end of the war.

Our aid has been of the greatest help to people abroad. I was in Europe during and immediately after the war and I saw the unbelievable wreckage left by it. Recently I again visted Europe and I was greatly impressed with the progress that Europeans, working under the most difficult conditions, have been able to make since the end of hostilities. Despite bad housing, lack of adequate heating, lack of food and clothes, they have made truly remarkable progress. I found in all countries the will to work and the determination on the part of the overwhelming majority of people again to make themselves self-sustaining by paying their own way.

Road Back Is Long

But the road back is long. The question, therefore, which we face is this: In terms of enlightened self-interest can we afford to allow the developing dollar shortage to spread? Can we permit the volume of our exports to decline sharply?

We cannot and should not continue to ship goods abroad indefinitely without getting something of equal value in return. The United States, despite its wealth, is not inexhaustibly wealthy. Nor, despite its productivity, is it endlessly productive. We cannot indefinitely support a large part of the world. Yet for every reason, ranging from the humanitarian to the economic, political and strategic, we must help other countries become productive.

This we must do if we are to prevent the growth of chaos and despair. For when men no longer have reason to hope, when they see nothing but darkness ahead, they are forced to trade their freedom for dictatorships.

It is therefore to our interest to help countries struggling to maintain their freedom and restore their productivity. The question is not one of aiding others but rather this: In what manner can our support best be given to assure the likelihood that we shall preserve our own well-being, maintain our foreign trade, help

(Continued on page 39)

*An address by Secretary Harriman at a luncheon meeting of the Cleveland Chamber of Commerce and the Cleveland World Trade Organization, Cleveland, Ohio, Sept. 15, 1947.

Sees Home Building at Highest Rate in Two Decades

Walter W. McAllister tells convention of U. S. Savings and Loan League physical volume of housing has increased 200% in two years. Says control removals have stimulated building and predicts housing shortage will end with removal of rent controls. Secretary of League estimates new home loans in last year exceeded $3\frac{1}{2}$ billions.

The home building industry of the country is being asked to accommodate the least able and the least competent layer of the population first, an economic challenge which is not placed upon any other industry in our private enterprise system. This was pointed out by Walter W. McAllister, San Antonio, Texas, President of the United States Savings and Loan League, in his address before the League's annual convention at the Curran Theater in San Francisco on Sept. 17. He pointed out that the political attack on the housing shortage continues with unabated fury, although there has been a 200% increase in the new physical volume of housing built in a two-year period, a good showing for any industry. He further cited the fact that in June, July and August home building was at the highest rate in 20 years.

W. W. McAllister

Citing the return to normal of many phases of the country's economy, he recalled that a majority of the men who wore uniforms have been absorbed into jobs and almost a million of them are home owners as the country enters the third year of the post-war world.

"Housing relatively made its poorest progress when subjected to the greatest Federal regulation," Mr. McAllister pointed out "Our home completions the first seven months of this year were $2\frac{1}{2}$ times greater than those for the corresponding months of '46.

"I have no doubt that our housing shortage would practically vanish if rent controls were completely abolished. According to the census bureau, we have better than 14,000,000 dwelling units occupied by one, or at the most, two people. If only one out of 10 of these double up, we would have 1,400,000 available units, as much housing as we will build in two good years.

"Since 1930 we have suddenly discovered that we have 'classes' in American society; seemingly, we possess a group constituting about one-third of our population who are permanently under-privileged, ill-clothed, ill-housed and under-nourished. Those advancing this idea through high government offices have been such thorough propagandists that we now have an increasing proportion of our population who feel that it is the responsibility of the Federal Government to see that everybody is fed, clothed and housed according to his desires. That group asks, 'What is my fair share of what you make?' Unless we are careful, maybe someday we will learn that we can't divide what we don't produce.

"On the road away from wartime economy, the savings and loan business has marched with the longest strides forward in its history. The peculiar thing about this record growth of ours is that it has happened during a prevailing mood of uncertainty about business in general and a very severe decline in our national rate of saving. That uncertainty has existed among our people and has certainly been fostered by many economic prophets as well as by government officials. We have had continuous bombardment from officialdom about high real estate prices. It would not be unfair to recall that their position has been the same since 1940."

Mr. McAllister pointed out that millions who now enjoy home ownership and have stable shelter costs, as a result of owning their homes, would have been deprived of this benefit if lending institutions generally had heeded all the warnings for the past seven years that realty prices were too high.

While conceding that there is no use in expecting much reduction in costs in the year ahead, the League President said that prices are beginning to outrun income.

"It is particularly true of the construction business and we in savings and loan are familiar with the facts from first-hand experience. Some may say 'Take-home pay of factory labor has shown an increase from $45 to $53 weekly since the war is over.' But bear in mind that organized labor represents only one in four workers and the other three have not and cannot have a corresponding increase."

* * *

H. F. Cellarius, Cincinnati, Secretary-Treasurer of the United States Savings and Loan League, in addressing the opening session of the League's 55th annual convention meeting, stated the volume of new housing loans made last year was greater by two-thirds than the loan record established in 1928. It totaled $3,584,500,000.

H. F. Cellarius

The number of investors and savers in the associations increased by 788,568, the largest gain in 20 years.

"There were 6,117 savings and loan associations with 8,815,284 individual members and total assets of $10,194,994,000 as of Dec. 31, 1946," Mr. Cellarius reported.

Railroad Securities

One of the roads turning in a particularly good operating performance has been Kansas City Southern. Traditionally this has been a highly efficient property, but even against the long-term background the postwar results have been impressive. Indicative of the road's normal status it is significant that for the five prewar years 1937-1941 it was able to carry through 24.1% of gross to net operating income before Federal income taxes. Among the major carriers of the country this ratio was bettered only by a few of the eastern coal roads. Of the three largest carriers in the Southwestern Region served by the road, Missouri Pacific carried only 12.1% of the gross through in the 1937-1941 period, St. Louis-San Francisco carried 10.2% through, and Missouri-Kansas-Texas carried 7.0% through.

An important consideration, particularly in the present era of spiraling wages, is that Kansas City Southern's labor costs are relatively low. Actual figures for the current year are not available but on the basis of payroll taxes it it indicated that the company's labor costs, including the payroll taxes, absorbed less than 40 cents out of every revenue dollar in the first six months. For a vast majority of Class I roads the ratio ran higher than 50 cents out of every dollar of gross. Obviously, then, the recent increases granted the non-operating employees, and the increases that will probably be awarded the operating brotherhoods, weigh less heavily on this road than on the industry as a whole.

For the first six months of the current year Kansas City Southern's transportation ratio was only 30.3%, and in July it dropped below 30%. This record was bettered by only four roads in a list of 45 representing over 90% of the gross revenues of the industry. The highly efficient Virginian and New Orleans, Texas & Mexico were down around 23% for the first half while another Pocahontas carrier (Norfolk & Western); had a transportation ratio of 29% and St. Louis Southwestern was just below 30%. Ability to hold the highly important transportation costs under such strict control augurs well for a continuation of high earnings.

Many railroad analysts feel that the recent market price for the company's common stock fails to recognize the strong operating position of the property. Kansas City Southern is one of the few that did not resume dividends on its common stock even during the war boom, although the non-cumulative preferred is now paying its regular 4%. Students of the situation, moreover, do not anticipate early resumption of common stock distributions. The road has done a good job of consolidating its debt and eliminating its 1950 maturity problems. However, in the process it assumed a serial bank loan that must be taken care of and as of the end of last year it still had a note payable to its subsidiary, Louisiana & Arkansas.

While the loans may militate against early resumption of dividends it is pointed out that the debt program in which they were assumed, and the gradual reduction in the loans themselves, contribute far more than would dividends to increasing the fundamental value of the shares. It is significant that actual fixed charges are now down to around $1,850,000, or more than $1,000,000 below the level of 1943. Reported charges are somewhat above $1,850,000 as the company still charges interest on its 3s, 1950, not turned in, even though cash for payment of the principal and the interest to maturity has already been deposited with the trustee. This interest saving is highly important in relation to the 509,599 shares of common stock outstanding.

Without making any adjustment for interim cuts in fixed charges, earnings on the common over the past 10 years averaged $3.36 a share. Last year the company showed $5.57 a share and the 1947 results should run between $6 and $7. These earnings, moreover, do not include the equity in undistributed earnings of the highly profitable subsidiary, Louisiana & Arkansas. The earning power, efficiency of the properties, and favorable territorial outlook should, in the opinion of many analysts, eventually be reflected in a far more liberal appraisal of the company's stock.

Harold Bache Urges Pan-Amer. Cooperation

The need for increasing cooperation between the great investment markets of the Pan American Hemisphere, to aid the flow of capital and goods into productive enterprise, was urged by Harold L. Bache, managing partner of Bache & Co., at a farewell luncheon given by that firm to members of the First Hemispheric Stock Exchange Conference.

Harold L. Bache

"We have entered a new era of hemispheric commerce, which encompasses not only the exchange of capital and manufactured goods, but a commerce in technical developments and ideas destined to serve one common purpose—to aid in the greatest possible increase in the happiness and welfare of all the people of the new world," Mr. Bache declared. The luncheon was given at the Wall Street Club and attended by South American representatives of the Financial Industry.

Paul J. Koughan Joins Lord, Abbett & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Paul J. Koughan has become associated with Lord, Abbett & Co., Inc., 210 West Seventh Street. He was formerly in charge of the Los Angeles office of King Merritt & Co.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Harold B. Getz, Jr., has become connected with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

First Boston Group Offers $75,000,000 Duquesne Light Bonds

An underwriting group headed by The First Boston Corp. on Sept. 24 made a public offering of a new issue of $75,000,000 Duquesne Light Co. first mortgage 30-year 2¾% bonds at 101.229 and accrued interest, to yield 2.69%. The bonds were awarded to the group in competitive bidding on Tuesday. The company is a subsidiary of Philadelphia Co.

Proceeds from the sale of the bonds will be used to redeem at 103½ $70,000,000 3½% bonds now outstanding. Balance of proceeds will become part of the general funds of the company to be available for general corporate purposes, including payment of a portion of the cost of the company's construction program which contemplates the expenditure of approximately $7,500,000 in 1947.

The new bonds will be subject to redemption on 30 days' notice as a whole or in part at prices ranging from 104.23 if redeemed during the 12 months' period ending July 31, 1948, to par if redeemed during the 12 months' period ending July 31, 1977. The bonds will have the benefit of a sinking fund beginning Aug. 1, 1948. For the 12 months ended April 30, 1947, the company reported net income of $9,003,904 which compared with $9,291,921 for the calendar year 1946 and $9,282,639 for 1945.

Duquesne Light Co. is an operating public utility engaged in the production, transmission, distribution and sale of electric energy. Substantially all of the electric energy sold by the company is generated in its own plaints. The territory served by the company embraces the city of Pittsburgh and surrounding municipalities in Allegheny and Beaver Counties, Pennsylvania, and one municipality in Westmoreland County. The company furnishes all of the electric energy required in the operation of the Pittsburgh Railways system.

The company owns and operates certain coal properties and the supply of coal for its power plants is largely secured from this source. The company owns all of the capital stock of Allegheny County Steam Heating Co., which furnishes steam heating service to approximately 435 customers in the principal business section of Pittsburgh.

John N. Darrow Joins Prescott & Co., Cleve.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—John N. Darrow has become associated with Prescott & Co., Guardian Building, members of the New York and Cleveland Stock Exchanges. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and with Paine, Webber & Co. and Jackson & Curtis.

Cartwright & Co. Is Formed in Cincinnati

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO — Cartwright & Co., Inc., has been formed with offices in the Union Central Building. Officers are William A. Cartwright, President and Treasurer, and John C. Taylor, Secretary. James A. Brett, Jr. is a director of the company.

With Scharff & Jones, Inc.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA. — Rand Hawthorne, Jr., has become associated with Scharff & Jones, Inc., Whitney Building.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

THE INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

John M. Hudson

Charles J. Brennan

Wallace H. Runyan

J. B. McFarland, III

A. H. Fenstermacher

The following officers were elected at the annual meeting of the Investment Traders Association of Philadelphia held on Sept. 19, 1947:

President: John M. Hudson, Thayer, Baker & Co.

First Vice-President: Charles J. Brennan, Blyth & Co.

Second Vice-President: Wallace H. Runyan, Graham, Parsons & Co.

Secretary: James B. Farland, III, First Boston Corp.

Treasurer: Albert Fenstermacher, M. M. Freeman & Co.

The following were elected to the Board of Governors for a three year term:

John G. Barton, F. P. Ristine & Co.; John B. Swann, Jr., Lilley & Co.; Herbert H. Blizzard, Herbert H. Blizzard & Co.; Joseph A. Zeller, Bankers Securities Corp.; Newton H. Parkes, Jr., E. H. Rollins & Sons, Inc.; H. Whitney Rogers, Elkins, Morris & Co.

The following were elected to the Board of Governors for a two year term:

Alfred R. McBride, Wright, Wood & Co.; Freeman G. Grant, Dolphin & Co.

The following were elected trustees of the Gratuity Fund:

Floyd E. Justice, Kidder, Peabody & Co.; Thomas O'Rourke, Stroud & Co.; George J. Muller, Janney & Co.

THE SECURITY DEALERS OF THE CAROLINAS

The Security Dealers of the Carolinas will hold its Annual Meeting at the Ocean Forest Hotel, Myrtle Beach, S. C., the week end of October 10, 11, and 12.

New officers for the ensuing year will be elected at that time.

Finance Courses Offered by New School

Investment Problems, Taxation, Marketing, and International Finance covered in new series.

Four important courses on investment, taxation and finance, open at the New School for Social Research, 66 West 12th Street, in the new fall term, beginning Monday, Sept. 29.

Benjamin Graham, President, Graham-Newman Corporation, and A. Wilfred May, economist, commentator and executive editor of the "Commercial and Financial Chronicle," offer a 15 weeks' series, "Current Problems of the Investor," beginning Thursday, Oct. 2 at 5:30 p.m.

Among the special topics to be included are: forecasting stock market developments; security analysis for the investor; professional services; common stock appraisal and selection; protection of the investor; consumer credits.

The sixth annual symposium on "Federal Taxation," meets for a 10 weeks' series under the chairmanship of Alex M. Hamburg, attorney and tax counsel, beginning Tuesday, Sept. 30 at 8:30 p.m. Among the speakers in the series are J. K. Lasser; Ewing Everett; Norris Darrell; Maurice Austin; Mark E. Richardson; George Craven; Adrian W. DeWind; Jacob Rabkin; and Benjamin Grund.

Dr. Julius Hirsch, market expert, visiting professor to the Graduate Faculty of the New School, formerly chief consultant, OPA, will give a 15 weeks' course on "Marketing," opening Monday, Sept. 29 at 8:30 p.m.

A series, "Current International Economic and Financial Problems," will meet the fourth Monday of every month, led by Antonin Basch, chief economist, International Bank for Reconstruction and Development. The series begins Monday, Oct. 27 at 8:30 p.m.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Semi-annual operating results in 1947 and 1946 of 70 stock fire insurance companies have been summarized and compared in the September 1947 issue of "Best's Insurance News." The following tabulation is arranged from Best's figures:

Fire Companies:	First Six Months 1946 ($000)	1947 ($000)	% Change
Net Premiums Written	240,852	313,474	+30.2
Net Premiums Earned	195,780	253,799	+29.6
Statutory Underwriting Results	—26,777	—33,643	---
Change in Prem. Res. Equity	+17,890	+23,376	+30.6
Net Underwriting Results	— 8,887	—10,267	---
Net Investment Income	16,578	17,869	+ 7.8
*Total Net Operating Profits	7,691	7,602	— 1.2
Federal Taxes	3,324	198	—94.0
†Total Net Operating Profits	4,367	7,404	+69.5
Dividends Declared	11,331	12,328	+ 8.8

*Before Federal Taxes
†After Federal Taxes

Due to the continuation of heavy country-wide fire losses, and other factors, such as the Texas City disaster, statutory underwriting losses were heavier than a year ago, but they are modified by the subustantial rise in premium reserve equity. Net investment income was up 7.8% which helped to hold the decline in total net operating profits, before Federal income taxes, to only —1.2%. Federal taxes incurred during the first half of this year, however, were very much lower than during the same period in 1946, the net result being that, after taxes, total net operating profits are up 69.5%. Dividends declared are 8.8% greater than in 1946; coverage by net investment income was approximately 1.46 times in both periods.

With regard to the year as a whole, it is of interest to quote Best's opinion, as follows: "Increased rates and higher premium volume have already laid the groundwork for an improvement in experience and barring any further catastrophe, operations in the second half should be more favorable."

Best's has also summarized and compared operating results for 70 stock casualty-surety companies, from which the following tabulation has been prepared:

Casualty Companies:	First Six Months 1946 ($000)	1947 ($000)	% Change
Net Premiums Written	353,269	460,592	+30.4
Net Premiums Earned	303,056	395,843	+30.6
Statutory Underwriting Results	—13,463	— 7,517	---
Change in Prem. Res. Equity	+19,949	+24,997	+25.3
Net Underwriting Results	+ 6,486	+17,480	+169.5
Net Investment Income	14,033	15,278	+ 8.9
*Total Net Operating Profits	20,519	32,758	+59.6
Federal Taxes	4,460	4,604	+ 3.2
†Total Net Operating Profits	16,059	28,154	+75.3
Dividends Declared	11,167	9,516	—14.8

*Before Federal Taxes
†After Federal Taxes

It will be observed that both statutory and net underwriting results show improvement over 1946; the loss ratio was down as higher rate levels began to be reflected early this year in the experience of the companies. Net investment income was higher by 8.9%; Federal taxes were only 3.2% greater, but dividends declared during the half year were 14.8% lower than for the similar period in 1946.

Marketwise, both fire and casualty stocks have drifted lower since the first of the year. On Dec. 31, 1946 Standard & Poor's fire stock index was 119.5 and on Sept. 17, 1947 it was 113.4, a decline of 6.1 points or 5.1%. Their casualty stock index, over the same period, declined from 161.0 to 150.1, a drop of 10.9 points or 6.8%. By way of comparison, the Dow-Jones Industrial Average moved up from 177.20 to 178.73, a rise of 1.53 points or 0.9%.

A few individual stocks, however, have moved against the trend. For example, Great American from 28⅜ to 29⅜; Home from 24¾ to 25⅞; North River from 22½ to 24½; St. Paul Fire & Marine, from 67 to 69; Springfield Fire & Marine, from 106½ to 107½ and U. S. Fire, from 50 to 51. On the other hand, some of the best fire stocks have declined substantially, such as Continental, from 51⅜ to 49; Fidelity-Phenix from 56 to 53; Hartford Fire, from 106¼ to 101¼ and Insurance Co. of North America, from 100 to 88. After all, these are merely erratic short-term moves; over the longer term relative quality and sound growth count and will be reflected in the market, as has been pointed out many times in this column.

Currently choice fire stocks can be brought to yield about 4.0%, based on average yield of a list of 21 representative stocks. Individual yields range from 5.3% for Security, 5.2% for Fire Association, 5.1% for Agricultural, 4.8% for Franklin and 4.6% for Home, down to 3.4% for Insurance of North America, 2.9% for St. Paul Fire & Marine, and 2.5% for Hartford Fire. Continental, Fidelity-Phenix, Great American and North River, each yield around the average of 4.1%.

Frank Kiernan & Co. In New Location

Frank Kiernan & Co. announce the removal of their offices to the 28th floor of 55 Liberty St., effective Friday, Sept. 19. Their new telephone number is COrtlandt 7-3148.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Charles Slaughter to David B. Bandler will be considered by the Exchange on Oct. 2. It is understood that Mr. Bandler will act as an individual floor broker.

Transfer of the Exchange membership of George M. Sidenberg, Jr., to Vernon J. Harvey will be considered by the Exchange on Oct. 2. It is understood that Mr. Sidenberg will act as an individual floor broker.

S. Carter Campbell retired from partnership in James F. Shea & Co. on Sept. 12.

Charles Slaughter & Co. will retire as an Exchange member firm on Oct. 2.

Strickland & Widin will dissolve as of Sept. 30.

Interest of the late John J. Gillies in Bacon, Stevenson & Co., ceased as of Aug. 31.

George E. Williams, partner in Beer & Co., died on Sept. 8.

Frank E. King, member of the Exchange, died on Sept. 12.

Harold P. MacDonald, member of the Exchange, died on Sept. 16.

Firm Name Now Helffrich & Co.

ALLENEOWN, PA.—The firm name of C. C. Helffrich & Co., 12-14 North Seventh St., has been changed to Helffrich & Co., Inc. Officers are Ruth E. Helffrich, President, and Robert F. Delaney, Secretary-Treasurer.

Helbig Co. Now Partnership

Baron G. Helbig & Co., 60 Broad St., New York City, is now a partnership, members of the firm being Baron G. Helbig, formerly sole proprietor; G. F. Helbig, and R. H. Pattison.

Development of International Investment

By HON. WILLARD L. THORP*
Assistant Secretary of State for Economic Affairs

Economic expert of State Department points out role of international investment in hemispheric economic collaboration and outlines function of security exchanges and financial institutions in establishing an international investment market. Says there is need and opportunity for American investment abroad, but calls attention to foreign discriminations against American capital. Urges U. S. capitalists comply with domestic laws and refrain from political activities in making foreign investments.

This conference is singularly opportune. Although organized independently and by private citizens, it is in fact a logical continuation of the Conference of Sovereign States so recently and so successfully concluded in Rio de Janeiro. There the nations of this hemisphere pledged themselves to work together to maintain the peace and to defend the security of their constituent members. Here, tonight, we are concluding a conference for a complementary purpose, to work together for economic advancement and stability. Peace, security, social and economic progress all walk together. This First Hemispheric Conference of Stock Exchanges can contribute its share to that economic progress which is part of our common aspiration —an aspiration expressed with eloquent simplicity in the Charter of the Americas, "to live decently and work and exchange productively, in peace and security."

Willard L. Thorp

Again I find it particularly appropriate that this conference has been held on the initiative of private citizens because I wish to discuss this evening the significance of the words of President Truman in his speech at Petropolic. "Here [in the Americas] the need is for long-term economic collaboration. This," he said, "is a type of collaboration in which a much greater role falls to private citizens and groups . . ."

There are many important aspects of this long-term economic collaboration and one of the more significant is the role of private citizens in this regard. At the present time, the problem of international loans and financial assistance is dominated by governmental institutions, national and international. This has not been true of the past, and should not be true of the future, once the present economic crisis in the world has been surmounted.

Fundamentals of International Investment

Fundamentally, the problem of international investment is to take savings in one country and put them to work in another. The present procedure is one of government pre-emption on the one hand and government allocation on the other, with the machinery being an inter-government agreement. The traditional procedure calls for voluntary savings by individuals with competitive requests by the end-use borrowers, and with capital market machinery working out the arrangements. You represent agencies of major importance in making effective the private capital market route. This is the method used within the United States for the transfer of savings into investments, and one which we believe should be utilized so far as possible in the international field.

The central economic problem of the Western world—fortunate in escaping the brutal impact of war machines and enemy occupation—is not immediate rehabilitation but long-run development, not the re-creation of capital destroyed by war and the restoration of prewar standards of living but the gradual and steady development of resources and application of technology to create new and productive economic activity and to achieve higher than prewar living standards. The crisis in Europe today is of a different order of urgency and magnitude. Whether or not that crisis is overcome is of immediate consequence to all the Americas. But our chief interest this evening is the long-run economic development of the communities of the Western world.

In that endeavor the peoples of this hemisphere can collaborate. This is no new idea. It has always been true that the relatively mature economies have contributed their savings and their know-how to the development of the less developed areas. However, the potentialities in the Americas are far beyond any present realization. Much can be done along existing lines, and new types of activity can bring that diversification which is so important in the economic world of today. Economies based primarily on agriculture can develop their resources and utilize their talents to create new wealth in commerce and industry. The primary problem for the economy of the United States is to maintain stability at high levels of production; the problem of our Latin neighbors is to diversify their economies, to decrease their dependence on a limited number of exportable commodities and by achieving greater diversification, to achieve stability as well.

But industrial expansion and development require capital — domestic capital and foreign capital — private capital and governmental. Each is appropriate and makes its contribution.

Role of Stock Exchange

The stock exchange is a necessary instrument in the promotion of capital investment. By imposing uniformity in the procedures for buying and selling securities, by maintaining high standards of honesty and integrity among its members, by eliminating speculation prejudicial to the securities registered on the exchange, by issuing daily price quotations and by providing authentic information to the public regarding companies whose shares are offered, it can awaken a wider public to the possibility of profitable investment in enterprise. It gives transferability to the investment which permits the investor to feel that he is at all times in a reasonably liquid position. It provides a basis for collective judgment as to the relative risks involved in different types of enterprise. An active and well-organized capital market is a means of attracting foreign funds as well as domestic, by

(Continued on page 27)

*An address by Assistant Secretary Thorp before the First Hemispheric Stock Exchange Conference, New York City, Sept. 18, 1947.

Dollars Cannot Be Scarce!

By PAUL EINZIG

Dr. Einzig, in commenting on London meeting of the International Monetary Fund and World Bank, contends insufficient aid to Britain can come from these sources because of their charter limitations. Points out, however, Fund has ample dollars which could be used for Britain's relief. Criticizes Secretary Snyder's charge that shortage is in production and not dollars.

LONDON, ENGLAND.—Those who expected a great deal of the London meeting of the International Monetary Fund and the International Bank for Reconstruction and Development had to realize after the first few days that this conference could not possibly bring any relief to Britain's present difficulties. It soon became clear that the Governors of the two institutions would confine themselves to routine business. There was no question of any decisions placing additional dollars at the disposal of Britain or other European countries affected by the dollar shortage, beyond the facilities available to them under the existing rules. While some delegates were toying with the idea of a revision of the statutes of the Fund nothing could come of it since it was obvious that Mr. Snyder would veto it.

Dr. Paul Einzig

The importance of the Fund and Bank meetings became entirely overshadowed by that of the private meetings between Mr. Snyder and Mr. Dalton Had those talks led to an agreement the necessary changes would have been adopted by the other delegates as a matter of course. What was mainly aimed at was a revision of the rule under which member countries are not entitled to use more than 25% of their quota in any one year. This rule prevents the effective utilization of the Fund's dollar resources, amounting to about $3,350,000,000 on June 30, 1947, at a time when they are needed particularly urgently. Since the total quotas of members other than the United States are just under $5,000,000,000, the amount of dollars that could be drawn during the year 1947-48 would be limited under existing statutes to less than $1,250,000,000. Apart altogether from the fact that this amount would be a mere drop in the ocean of dollar requirements, the 25% limitation rules out any possibility of the dollar being declared a scarce currency either this year or next.

This aspect of the technical position has not hitherto been adequately realized. Yet it is a matter of simple arithmetic. Even if all members other than the U. S. used the whole 25% of their quotas for the acquisition of dollars, the Fund would still possess on June 30, 1948, some $2,100,000,000. And so long as the Fund possesses such a large amount of dollars which under the statutes it is not allowed to lend, it would be clearly absurd to claim that the Fund is short of dollars. Indeed even on June 30, 1949, the Fund would possess at least $800,000,000 "unlendable" dollars. It is only during the year 1949-50 that it would become technically possible for the demand by members to exceed the Fund's supply of dollars—provided that every member other than the U. S. utilized nearly 75% of its quota for the acquisition of dollars, without repaying any of the dollars obtained. Such a situation is most unlikely to arise, judging by the reluctance of many members to use their quotas at all. It is therefore correct to say that a situation in which the Fund would be justified under its existing statutes to declare dollars a scarce currency is most unlikely to arise before 1950, if at all.

This means that even after all member countries have spent their last dollars and there does not exist a single dollar outside the United States and the Fund, dollars could not be declared a scarce currency. Conversely, even if the Fund declares dollars a scarce currency, member countries could not benefit by this declaration unless and until they have used up their own dollar resources. If Britain has used up its dollars, and is unable either to borrow or earn dollars, so that it has no dollars whatsoever, then and only then it is graciously permitted under the scarce currency clause to abstain from spending any of its non-existent dollars. This may read like a passage from *Alice in Wonderland*. But there is worse to come. Since the Fund is unable to declare dollars a scarce currency until 1950, and the chances are that Britain will find itself without any dollars long before then, under the Bretton Woods Agreement remains under legal obligation to continue spending its non-existent dollars. And since this is not practicable, it is confronted with the choice of depriving its people of essential supplies or disregarding Article 9.

When at a Press Conference held in London on September 15 Mr. Snyder was asked whether a country which does not possess any dollars is entitled to discriminate against the U. S. by diverting its purchases to a country where it is able to pay, his reply was a denial of a dollar shortage. He said that there is a shortage, not of dollars, but of production, and if production could be raised all countries would have enough exports, and therefore they would have enough dollars. There are two flaws in this argument. First, it puts the cart before the horse: Production cannot be raised without the aid of raw materials, fuel equipment and food for workers, and these goods cannot be acquired in adequate quantities so long as dollars are in short supply. Second, so long as dollars are scarce even an increase of production could not yield dollars, for the countries importing the surplus would only be able to pay in their own inconvertible currencies.

Mr. Snyder conveyed distinctly the impression that his Government is as determined as ever to try to force Britain to make a second attempt of convertibility long before conditions have sufficiently improved to justify it. He was unable or unwilling to answer at his Press Conference a question as to how he reconciled the aim of the Marshall Plan to assist Britain in balancing our international accounts with his Government's insistence on convertibility and Article 9 which trends to prevent Britain from balancing her international accounts. Nor did he hold out any definite hope or assistance beyond the release of the balance of $400,000,000 of the Loan; and even that is conditional upon the restoration of a sufficient degree of convertibility to meet his approval, convertibility which might easily cost Britain a great deal more than $400,000,000 in additional losses. In spite of this, the British Government appears to be willing to accept the American view on convertibility. Perhaps the inevitable failure of the second premature attempt may be able to teach a lesson in this respect to statesmen on both sides of the Atlantic. But it will be a costly lesson, perhaps even costlier than the first lesson which appears to have remained unheeded.

Richard Griffith Opens Own Inv. Offices

UTICA, N. Y.—Richard R. Griffith is engaging in a securities business from offices in the First National Bank Building. He was previously Manager of the retail sales department for Philipson and Company and prior thereto did business as an individual dealer in Utica.

Robert Pingle Now At Baker, Weeks & Harden

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Robert W. Pingle has become associated with Baker, Weeks & Harden Penobscot Building. He was formerly a partner in S. J. Stodgell & Co. of Windsor, Ontario, and prior thereto was with Watling, Lerchen & Hayes in Detroit.

Wayne Doty With Botzum Company

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Wayne L. Doty has become associated with C. A. Botzum Co., 210 West Seventh Street. Mr. Doty in the past was an officer of Quincy Cass Associates.

With Steiner, Rouse & Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—J. Edmund Ullman has become affiliated with Steiner, Rouse & Co., 205 Carondelet Street. He was previously with Kohlmeyer, Newburger & Co. and Weil & Co.

Utters Caution on "Marshall Plan"

Harry A. Bullis, President of General Mills, holds no aid under plan should be granted unless Europe establishes condition under which self-help can operate and establish an economy which can promote prosperity. Suggests a common money for Europe.

Speaking at a banquet of the Federal Reserve Forum in Minneapolis, Minn., on Sept. 18, Harry A. Bullis, President of General Mills, Inc., cautioned against lavishness under the Marshall Plan.

Harry A. Bullis

"We should develop terms for any further advances to Europe," Mr. Bullis states, "that will result in a state of affairs which will be much more in our interest. Obviously, we should clarify what terms are desirable before we agree to extend 'Marshall-plan' aid."

Continuing, Mr. Bullis remarked that "some people have said that the terms should include pledges by nations who receive aid that they will not undertake or continue 'socialism,' that they will not undertake or continue 'nationalization' of this, that, or the other industry, and that they will not turn to other political nostrums. In my opinion, the terms we should ask would be terms which will permit Europe to do two things: (1) Establish conditions which will enable her to help herself, and (2) develop an economy which has a chance for prosperity so that we will not have to continue loaning forever, and so that Europe can repay us. To achieve these two purposes means that the economic requirements that have built the United States into a successful nation might be desirable for Europe.

"We have a common money all over our land. That makes trade within our country quick, easy, and free, as far as the money unit can help. Europe should at least work toward a common money over that continent. We have freedom of trade within our country, freedom of opportunity, freedom of contract, free dissemination of ideas, and free movement of persons as well. If Europe would work toward the accomplishment of these objectives, it would assist her to get into a position to help herself and thus achieve greater prosperity by specialization, larger markets, and mass production.

"If the nations of Europe had more automobiles, through highways with no customs barriers, modern filling stations, and plenty of hot dog stands, they would enjoy a high degree of activity and employment which might be a peaceful equivalent for war. Western Europe is the only great single food deficit area in the world. Thus, as a deficit area, it is the greatest single potential buyer of American cereals and other farm products."

With Herrick, Waddell Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO. — Joseph H. Sutton has become affiliated with Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue. He was previously with B. C. Christopher & Co. and Harris, Upham & Co.

With Bourbeau & Douglass

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Hays Matson has become affiliated with Bourbeau & Douglass, 510 South Spring Street. He was previously with Pacific Company of California.

With Bailey & Selland

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CALIF. — Frank J. Oneto has been added to the staff of Bailey and Selland, 1157 Fulton Street.

Social Security and Its Tax Potentialties

By T. L. EVANS*
Treasurer of J. N. Adam & Co., Buffalo, N. Y.
Member, Social Security Committee, U. S. Chamber of Commerce

Social security expert reviews progress of social legislation and points out tendency toward complete federalization of program and extension of its coverage, with consequential increasing costs. Cites growing tax burdens on employers and public, and foresees tax rates for social security rising to 30% of payrolls within next two decades. Holds this may ultimately threaten free enterprise system.

Social Security is rapidly forging its way to front position among the leading problems within the legislation and taxation complex which faces the country today, and it will undoubtedly advance even further and take a position of primary importance in the coming Congress sessions.

T. L. Evans

The stage is now being set for 1948, which will not only be a year of very marked expansion in coverage, liberalization and extension, but also produce new forms of insurance, particularly temporary disability benefits and the introduction of health programs, if certain forces are successful in gaining the necessary support of Congress.

At the present, Social Security provides:

(1) Old-Age and survivors' insurance.

(2) Unemployment compensation.

(3) Public assistance, including old-age benefits, assistance to the blind and aid to dependent children.

(4) General assistance.

(5) Temporary minor programs such as civilian war assistance and assistance to special groups such as enemy aliens and others.

The financial structure of the existing old-age and survivors' insurance program is based on a payroll tax of 1% levied upon both the employer and employee. The Original Social Security Act provided for employer and employee contribution rates of 1% each with respect to wages in the calendar years 1937-1939 and 1½% each for 1940-1942, 2% in 1943-1945, 2½% each in 1946-1948 and 3% thereafter.

Unemployment compensation insurance is financed entirely through payroll tax levied upon the employer alone, and amounting in most cases to 3%; 2.7% of this is retained by the State and 0.3% is paid to the Federal Security Administration which, in turn, reallocates the amounts needed for the administration programs to the States. In most States this tax is reduced to employers with a stabilized employment record through the benefit of Experience Rating.

Public Assistance programs are financed by the Federal Government and the State, whereby the Federal Government matches the expenditure of the State of old-age assistance and aid to the blind up to $45 a month and for aid to dependent children $24 a month for one child in the family and $15 for each additional child aided.

Legislative Developments

Among the major legislative developments during the 80th Congress just closed, the following bills should be enumerated in this connection:

During the session of the 80th Congress, legislation was enacted to free the old-age and survivors insurance tax at the rate of 1% each to employer and employee for 1948 and 1949, providing at the same time an increase to 1½% to each for the years 1950 and 1951, and further increase to 2% for the time thereafter.

The same legislation extended the Federal provisions for unemployment compensation loans to States for two years and a two-year continuance of liberalized grants to States for old-age assistance, aid to dependent children and aid to the blind.

The unemployment insurance loan fund was created in 1944, by Act of Congress, from surplus of revenue, over expenditures, derived from the 0.3% Federal unemployment tax, i.e., appropriations made to the States by the Social Security Administration for the administration of unemployment insurance program is considerably less than revenue received. As a matter of fact, the annual surplus from this source is occurring at the rate of $150,000,000 at the present high peak of employment, and the total excess has now reached approximately $800,000,000 since the inception of the program.

States may borrow from this fund only in the event that their employment insurance funds have become depleted, as a result of extraordinary heavy withdrawals through severe unemployment conditions, or caused through a further liberalization of benefits which is constantly encouraged by the present administration.

Other bills passed:

(1) Continued authority of States to ignore income from agriculture or nursing in determining payments of old-age assistance (S-1072).

(2) Technical amendment extending time for voluntary unemployment compensation contributions (individual employer reserve accounts) (H. R. 4011).

(3) The Senate Finance Committee, very significantly was authorized to make a study of the Social Security system under Senate Resolution 141, and granted an granted an appropriations of $25,000. This special study is intended to produce information that will assist the Senate in the consideration of future Social Security developments. Proposals scheduled for the next Congress in

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*An address by Mr. Evans before the New York State Council of Merchants, Lake George, N. Y., Sept. 8, 1947.

Foreign Issuers Cannot By-Pass SEC

By EDMOND M. HANRAHAN*
Member Securities and Exchange Commission

Commissioner Hanrahan emphasizes obligations of foreign issuers to comply with all SEC as well as stock exchange rules. States that although free international movement of credit is a worthwhile ideal, it can only justify itself as a paying propostion, and investors' protection must not be sacrificed thereto.

The United States has adopted what amounts to a fairly extensive code of regulation of securities exchanges, of the members who trade on such exchanges and, to some extent, of the issuers of the securities traded on such exchanges and their managements.

E. M. Hanrahan

This code of regulation is predicated upon the essential idea that the American investor is entitled to certain minimum protections in his dealings on exchanges, with members of exchanges, and in his relations with the issuers of listed securities and their managements. Within the framework of this legislation lies the permissible field in which the Securities and Exchange Commission can act. It cannot create national or foreign policy outside of the limited scope of its powers and outside of the limited purposes of the legislation which it administers.

SEC's Basic Limitation

This limitation must be kept squarely in mind throughout your entire considerations of the Commission as a factor in any hemispheric exchange program. The Commission cannot forsake the basic aim of protecting American investors in adjusting either its rules or its technique of administration to any such program.

I bear in mind also the necessarily preliminary nature of this conference. To the extent that a policy within the framework of our legislation can be reached that policy must be based on an informed consideration of the many difficult and complex problems involved. Perhaps it is dangerous in any case to attempt to formulate broad policy in advance of the specific consideration of particular problems necessary to implement that policy. In this case I feel assured that it is the better part of wisdom for the Commission to wait until more detailed information is available and until the background has been laid for a discussion of particular problems.

Foreigners Must Comply

As most of you are probably aware, a foreign issuer, proposing to register its securities on an exchange in the United States, must be fully apprised of and completely comply with, not only the requirements of the exchange upon which the securities are to be traded but also the applicable securities laws of this country, namely, the Securities Act of 1933, the Securities Exchange Act of 1934 and the Trust Indenture Act of 1939, all of which are administered by the Commission.

1933 Law of Prior Importance

The Securities Act of 1933 must be given primary consideration. In the absence of compliance with its requirements, securities cannot be publicly offered or sold in this country by any issuer, underwriter or dealer. This Act is, in essence, a disclosure statute which requires that, unless an exemption from its provisions is available, securities must be covered by an effective registration statement before they are offered or sold and a prospectus must be supplied to offerees and purchasers. The purpose of the registration statement and prospectus is to bring out all essential facts concerning the issuer and the security being sold—nothing more than the simple truth is demanded.

The registration statement for a foreign corporation is filed on one of the various forms provided for that purpose by the Commission. Ordinarily Form S-1 is suitable. On the other hand, if the issuer is a foreign government the requirements of Schedule B of the Act must be met.

Registration and Prospectus Requirements

The registration statement and prospectus should disclose the history of the company, its capital structure and that of its affiliates, a description of the securities and the terms of the offering, the control and management of its affairs and the remuneration of its officers and directors, as well as other material information necessary to provide the investing public with such data as it may require to judge the merits of the security being offered.

If the securities to be sold are debt rather than equity securities, the provisions of the Trust Indenture Act must also be considered. Without an exemption, an indenture covering the bonds or notes in question must be qualified under that Act before they are offered for sale.

It might be noted at this point that both the Securities Act and Trust Indenture Act contain broad exemptions from their provisions. For example, if the security being listed was sold by the issuer or bona fide offered to the public prior to July, 1933, an exemption from both Acts would be available. And, ordinarily, if the security was offered to the public more than one year prior to listing, it may be freely traded by brokers, dealers and their customers.

If the registration statement is complete and accurate and no pre-effective amendments are necessary, it may become effective on the 20th day after filing, or the Commission may, under appropriate circumstances, accelerate the effective date.

Stock Exchange Rules Enter

When the requirements of the Securities Act and the Trust Indenture Act have been met, or it has been determined that an exemption is available, the rules of the Exchange may then be considered. In this connection, let me point out that, in the sale of securities registered under the Securities Act or qualified under the Trust Indenture Act, it is necessary that offerees and actual purchasers be provided with a prospectus or an analysis of the indenture provisions as the case may be.

At this juncture bear in mind that the exchanges in this country do not, in general, provide facilities for the initial distribution of either foreign or domestic issues. This function is commonly performed by an investment banker or banking syndicate. It is only after a sufficiently wide distribution is attained in the United

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*An address by Mr. Hanrahan before First Hemispheric Stock Exchange Conference, Sept. 18, 1947.

Floor Trading Procedure

By EDWARD C. WERLE*

Chairman, Board of Governors, New York Curb Exchange

Mr. Werle describes machinery for executing orders on New York Curb Exchange as developed since trading was removed indoors. Explains work of the Floor Specialist and supervision of floor trading by the Exchange. Points out present system provides assurance orders are executed in compliance with rules of Exchange.

Twenty-six years ago when the hearty and weather-beaten group of Traders known as the New York Curb Market Association came from the street into this fine building they walked upon the most modern trading floor in the securities world. While their planning committees had followed the general pattern of the older exchanges, they added a number of innovations of their own to keep the public more speedily informed in the handling of their securities orders. It was most important for the broker in the street to be in sight of his telephone clerk at all times. The brokers wore varied colored and distinctive hats and coats and devised a system of communication by hand signals. These signals were speedy and efficient and the system was brought indoors. Our booths, where our telephone clerks are located, are arranged in tiers in somewhat the style of an ampitheater or circus. The trading posts for our stocks are on the open floor and are in sight of the telephone booths. The broker after receiving an order can proceed to the proper post and can then signal back to his clerk either the execution of, or present quotation and standing of, his order.

Edward C. Werle

For reasons of clarity, I am going to attempt to trace the path of a market order to buy or sell a Curb security from the time the thought originates in the mind of a customer of one of our members. The customer visits a member-firm office or communicates by letter, telephone or telegraph. Upon receipt of such an order, it is transmitted by a partner or employee of the member-firm to the trading floor of our Exchange.

All member-firms have direct telephone communication to the trading floor from their respective offices. The member's telephone clerk on the floor, upon receiving this order, uses our annunciator board to call his broker to the booth. The broker proceeds to the post where the stock is allocated for trading. He ascertains immediately the previous sale and the current bid and asked. If the price bid or offered is such as meets his customer's direction, he will buy from or sell to another member at the post who is himself acting as agent for a member of the public. This is accomplished by the following simple procedure: The buying broker merely says "take it" or selling broker "sold." Each of them gives to the other the name of h's firm, who will later complete this transaction. The selling broker is required to report such transactions to an employee of the Exchange. This "reporter," as he is called, writes a memorandum which is dispatched through our pneumatic tube system to the central ticker desk where it is timed printed and relayed throughout the country by our ticker system. The brokers, in turn, report their transactions to their telephone clerks who call the member-firm office and from there it is reported to the customer. This probably sounds involved, but we have found that in many cases, even though the order originates thousands of miles away, the entire operation takes but a matter of minutes.

What I have endeavored to explain covers orders only at the market, i.e., the prevailing bid or offer. Many customers desire to enter orders to buy below or sell higher than the current market or, as we say, a "limited order." If this order is limited as to price, the commission broker proceeds to the post and asks the market in the stock which, of course, is the prevailing bid and offer. He then uses his judgment as to the possibilities of the market reaching the price designated on his order. If, in his judgment, such a possibility will not come about in a reasonable time, he will give the order to the specialist in the stock. Such orders are timed and kept in sequence to be executed as the market reaches the prices entered. Limited orders are placed for different periods of time, good for a day and good until cancelled.

The Floor Specialists

The specialists on our floor are regular members of the Exchange who register as specialists in designated securities. Their primary function is to maintain a fair and orderly market at all times in the securities they specialize in. They are, at the same time, sub-agents for the public inasmuch as when an order is placed for the public with them, they accept the agency from the commission broker. If orders to buy or sell are scarce they are expected to step into the breach and bid for or offer to sell stock at reasonable prices. This prevents too great a rise or fall in the price of the security. We will assume that the market drops or rises to the limit placed on our order, at which point the specialist executes it. He reports such a trade to the commission broker who will then report it to his customer. The specialist also acts as a dealer in all orders for less than the unit of trading. These are called "odd lots." The unit of trading is determined by our Committee on Stock Transactions. The Committee takes into consideration such factors as distribution, amount of stock outstanding in the hands of the public, the price of the security and the activity of the security in any other market before listing. Odd lots are executed automatically by the specialist at a price differential away from the full unit sale. An example of this: A customer places an order to buy 30 shares of a stock in which the unit of trading is 100 shares at the market.

The first sale of such stock after receipt of this order by the specialist is at 20. The specialist must automatically sell to the buying customer 30 shares of such stock at 20⅛ or, in the case of an order to sell such shares at the market, the specialist would be required to buy from the selling customer the shares at 19⅞. This price differential barely covers the cost of changing full lot certificates into the desired smaller amounts. In the case of a limited odd-lot order the specialist re-

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*An address by Mr. Werle before the First Hemispheric Stock Exchange Conference, New York City, Sept. 17, 1947.

Do You Buy Municipal Bonds?

By WARREN F. SARLE*

Vice-President, The Northern Trust Company, Chicago

In analyzing investment position of municipal bonds, particularly for banks, Mr. Sarle gives data regarding relative yield and security of tax-exempt municipal issues compared with taxable bonds. Holds municipals are not over-priced and current prices do not always properly reflect difference in investment quality. Points out investment factors in revenue bonds, and lays down basis for bank purchases of municipals.

It is a pleasure to be given the opportunity to discuss state and municipal bonds as media for the investment of bank funds. I have always been partial to them, primarily, I suppose, because of their enviable safety record over the years as compared with other types of securities. Second only to U. S. Government securities, they have the best record for payment of principal and interest when due of all the broad investment groups.

Warren F. Sarle

True, during 1932 and early 1933 preceding the bank moratorium when government 3s and 4¼s sold at substantial discounts, the market for municipals was also affected. During that severe depression period many industrial corporations, railroads, public utility companies and real estate enterprises went into bankruptcy causing extensive defaults in the payment of both principal and interest on their bonds. As we well know, many of these companies failed to emerge under their original names, or emerge at all for that matter, thus causing widespread loss among investors holding their bonds. State and municipal bonds fared much better however. Municipalities, of any national consequence at least, survived this period with nothing more than a temporary delay here and there in debt service, and in these few cases it was largely due to closed banks holding funds on deposit for this purpose. When a municipality suffers a decline in credit position the residents of that community must live with it and pay higher rates when borrowing funds. It cannot go through bankruptcy and be born again under another name and start over.

Good political behavior like good human behavior in most walks of life goes unpublicized whether the community be large or small. Political irregularity in a large city is news throughout the nation; in a small community it is not. For practical purposes this publicity has its advantages because the bad most certainly must be exposed if the voter can be expected to remedy the situation. Furthermore such information is of value to investors. Astute politicians desiring funds to spend and investors in the bonds of their municipalities desiring principal and interest payments when due should have, at least, one common interest, namely preservation of a high credit rating. This mutual interest has been evidenced over the years when the credit positions of some of our states and cities have for one reason or another been threatened.

Are Municipals High Priced?

During the past few years, especially while Federal taxes on corporate and individual incomes have been at unprecedented high levels, we often hear it said that municipals are too high priced. Like many general statements, this one is meaningless unless we define the word high rather precisely.

Five year State of Illinois bonds are currently selling to yield .90% taxable U. S. Governments of the same term yield about 1.40%. To the uninitiated in bonds and taxes, State of Illinois bonds certainly appear ridiculously high priced. However, among individual investors in Federal income surtax brackets exceeding $12,000 annually, we find quite a different opinion. To obtain a yield after taxes amounting to .90% in the $12,000 to $14,000 tax bracket the five-year governments would have to yield 1.52%; from $14,000 to $16,000 tax bracket 1.63%, and skipping up to the $50,000 to $60,000 tax bracket the governments would have to yield 3.13% to produce .90% income after taxes. To these investors State of Illinois bonds are cheap.

Likewise to banks and other corporations as well, these Illinois bonds may or may not be high priced depending upon tax status under the Corporation Federal Income Tax Law. For a large bank having a taxable income exceeding $50,000 and thus paying a combined normal and surtax rate of 38%, net after taxes on the governments would be about .90%, the same as the Illinois bonds. Here the governments are preferable because no bonds rank in quality so high as our governments. For a smaller bank with taxable income falling between $25,000 and $50,000 and paying a combined rate of 53% on this portion, the five-year governments would have to yield about 1.90% to net .90% after taxes. For these the Illinois bonds are cheap. For banks with taxable incomes of less than $25,000 for which combined normal and surtax rates do not exceed 23% the governments are a better purchase because at least 1.10% would remain after taxes.

Reasons for Price Rise

It is true that municipals are selling at higher prices today than they were ten years ago. This likewise is true of United States Government securities. However, municipals have risen in price to a greater extent than governments for several reasons in particular:

(1) Income tax rates have been materially increased thus enhancing the value of their tax exempt status.

(2) The supply, especially during the war years, diminished ma-

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*An address by Mr. Sarle at the Forum of the Federal Reserve Bank, Minneapolis, Minn., Sept. 19, 1947.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The promotion of George L. Kelley from Assistant Vice-President to Treasurer of the **North Side Savings Bank of New York**, at 3230 Third Ave., was an-

George L. Kelley

ounced on Sept. 17 by Fred Berry, President. Mr. Kelley has been in the banking field for 30 years. Since 1945, he has been in charge of mortgage investments at North Side. He is a graduate of New York University's School of Finance and the American Institute of Banking.

* * *

Milton E. Miller, who started with **Fulton Trust Company of New York** as a messenger, has been appointed Assistant Trust Officer by the board of directors of that institution. Mr. Miller previously was Mortgage Clerk for Fulton. Directors also appointed Bernard A. Kennedy to the position of Assistant Treasurer. He formerly was Auditor.

* * *

Guaranty Trust Company of New York announced on Sept. 19 the appointment of Walter H. Zulch as an Assistant Manager of the Foreign Department, in which capacity he succeeds the late Irving V. Scott in the work of foreign branch office supervision. Mr. Zulch has been associated with the company for 30 years, and since 1930 has been Assistant Credit Manager at the main office.

* * *

N. Baxter Jackson, Chairman of the Board of the **Chemical Safe Deposit Company of New York**, announces that Miss Frances M. Boos, formerly Secretary and Assistant Treasurer has been appointed Vice-President. She will continue her duties as Secretary of the company.

* * *

Raymond A. Lander, President of the Vogt Manufacturing Co., and Dwight R. Chamberlain were elected on Sept. 16 to the board of directors of the **Central Trust Company of Rochester, N. Y.**, the "Times-Union of that City reported on Sept. 16 at the same time it was added that Mr. Lander succeeds the late Albert E. Vogt, who was Chairman of the board of directors of the bank. Mr. Chamberlain has been Executive Vice-President of the bank since 1945. He came to the Central Trust in 1934 in charge of investments.

* * *

George G. Clarabut was the recipient of congratulations at the **Farmers' National Bank & Trust Co. of Rome, N. Y.** on Sept. 12 with the celebration of his 65 years of continuous service with the institution. Mr. Clarabut who is now 79 years of age began his association with the bank as a messenger in 1882. The "Daily Sentinel" of Rome reports that he has served as Chairman of the board of directors and in an advisory capacity for 13 years. After serving as Cashier and later as Vice-President, Mr. Clarabut was named to the Presidency in 1923 following the death of Edward Comstock.

On May 1, 1934, Mr. Clarabut resigned as President to become Chairman of the Board. Carl H. Simon, then Vice-President, was named as his successor, in the Presidency.

* * *

Robert B. Newell, President of **Hartford National Bank & Trust Co. of Hartford, Conn.** since 1927, died on Sept. 15. Mr. Newell was a son of the late William H. Newell, who had been Secretary of the Aetna Life Insurance Co. Mr. R. B. Newell joined the Phoenix National Bank in 1902, the Hartford "Daily Courant" reports, and it went on to say:

In 1903 he transferred to the State Bank, where he served four years, going in 1907 to the State Savings Bank. He became Vice-President of the Fidelity Trust Co. in 1917 and then Vice-President of the United States Security Trust Co., formed through the merger of the United States Bank, the Security Trust Co. and the Fidelity Trust Co. He was active in promoting the organization of the Bankers Trust in 1924, serving as Treasurer during its formation and becoming its first Secretary and a trustee. Subsequently he became President of the Bankers Trust, which in 1933 was consolidated with the Hartford National Bank & Trust Co. He became President of the Security Trust Co. in 1926, and when it associated with the Hartford-Aetna National Bank on May 21, 1927, becoming the Hartford National Bank & Trust Co., he was named President.

In 1932 he was chosen by President Hoover to advise the Reconstruction Finance Corporation in assisting Connecticut banks, and was active on the Committee on Government Borrowing of the American Bankers Association. His 68th birthday occurred on Sept. 11.

* * *

Felicitations were extended recently to Charles A. Lillie, President of the **Phoenix State Bank & Trust Company of Hartford, Conn.** on the occasion of his 50th anniversary in the banking field. According to the Hartford "Daily Courant" of Sept. 10 directors and members of the executive staff of the bank had Mr. Lillie as their guest at a dinner at the Hartford Club on Monday evening Sept. 8. In recognition of his long service Mr. Lillie was presented with a sterling silver service tray, suitably engraved to mark the occasion. Mr. Lillie joined the State bank as a runner, and said the "Courant," he won promotions throuugh the junior officer list, beginning as Assistant Cashier in 1908. He became Cashier in 1914 and Vice-President in 1920. In 1926 when the State Bank and Phoenix consolidated he was named a Vice-President, becoming First Vice-President in January, 1938. Mr. Lillie succeeded Mr. Leon P. Broadhurst in the Presidency of the Phoenix State Bank & Trust Co. in January, 1944. Mr. Broadhurst is Chairman of the Board of the State Bank & Trust Co.

* * *

Dwight L. Chamberlain, President of the **First National Bank & Trust Company of New Haven, Conn.** announces that, because of the expansion of activities in the Trust Department of the bank arrangements have been made whereby Donald F. Bradley of New Haven will become associated with the Trust Department of the bank, effective Sept. 22; the New Haven "Evening Register" reported this in its Sept. 17 issue.

(Continued on page 26)

Finds Yield of College Endowments Exceeds That of Insurance Funds

Study by Scudder, Stevens and Clark shows average yield on invested college funds is 4% compared with 2.93% earned by insurance companies. Ascribes higher yield to larger investment in equities.

The average rate of return on endowment funds of American universities and colleges is over one-third greater than on the investments of life insurance companies and mutual savings banks, according to a survey of endowment funds aggregating approximately $1,300,000,000 completed by Scudder, Stevens & Clark, investment counsel. The study, believed to be the most comprehensive of its kind ever undertaken, covers 77% of the total of the endowment funds of all universities and colleges.

The study reveals that during the past 15 years these institutions almost tripled the proportion of their funds held in common stocks, increased the proportion held in preferred stocks, and reduced sharply their holdings of risk bonds and real estate mortgages. The average rate of return at book value declined from 5% in 1931 to 4% in 1946, while the average rate earned by life insurance companies and mutual savings banks declined from about 5% to 2.93%.

The significance of this comparison, as the study points out, lies in the fact that universities and colleges are generally free from legal restrictions on their investments and rarely have to provide for quick convertibility of invested funds into cash, whereas insurance companies and savings banks are heavily restricted by law, have different investment objectives and to a certain extent must be prepared to convert a part of their investments into cash to meet liabilities. Because of the large measure of freedom enjoyed by educational institutions, the study comments, their investment policies are worthy of examination by other classes of long-term investors.

In 1946 these universities and colleges held on the average 37% of their funds in high-grade senior securities at book value 19% in medium grade and second grade bonds and preferred stock; 30% in common stocks, and 13½% in real estate mortgages real estate and miscellaneous assets. At market value, common stock holdings averaged 35½% of the whole.

High-grade senior holdings were invested largely in U. S. Government bonds, with moderate holdings of high-grade utility bonds and very small holdings of high-grade railroad, industrial, foreign and municipal bonds and of high-grade preferred stocks. High-grade bond holdings were largely of long maturity. More than half of the investments in senior risk securities were in risk preferred stocks and slightly less than half in risk bonds, of which the largest subdivision was railroad bonds. Two-thirds of common stock holdings were industrials. Holdings of real estate equities were substantially larger than holdings of real estate mortgages.

Sharp deviations from the average are shown by several universities and colleges. Thus, the holdings of one institution in high-grade senior securities aggregated 81½% of its funds. Another institution held 72% in common stock, over twice the general average, and a third held 70% in real estate mortgages and real estate, more than five times the average percentage.

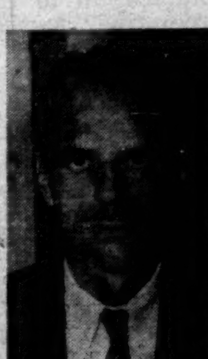
During the 15 years under review, the almost three-fold increase in common stocks was largely in the shares of industrial companies, while the proportion held in railroad stocks was cut almost in half. Utility and industrial risk bonds were sharply reduced, but holdings of railroad risk bonds were moderately increased. Industrial risk preferred stocks increased substantially. Real estate mortgage proportions declined by two-thirds, while investment in real estate equities was well maintained.

Among high-grade securities, railroad and industrial bonds were all but eliminated and utility bonds were reduced sharply. The proportion of U. S. Government bonds rose from 2½% to 27%. Thus, while risk was being increased in the common and preferred stock portions of these endowment funds, it was being substantially reduced in the real estate mortgage and risk corporate bond portions, while high-grade funds were being heavily transferred from corporate to government securities.

"In general," the study concludes, "universities and colleges held more than one-half of their funds invested in the securities of American corporations, while life insurance companies held less than one-fourth of their funds so invested and savings banks held barely one-sixteenth so invested. Thus, the growth and prosperity of American industry is of great benefit and importance to universities and colleges and the 1946 prosperity of American industry was reflected on their books in substantial income and in large appreciation in the market value of their securities. Common stock holdings alone showed an excess of market value over book value of $115,000,000 in 1946, or about 35%."

Eldridge Robinson Now With Fred W. Fairman

CHICAGO, ILL.—Fred W. Fairman & Co., 208 South La Salle Street, members of the Chicago Stock Exchange, announce that Eldridge Robinson, formerly with George K. Baum & Co. of Kansas City, Missouri, is now associated with their trading department and will handle a general line of industrials and utilities. Mr. Robinson was formerly with Lamson Brothers, Chicago, having left in 1937 to become associated with George K. Baum & Co. in charge of their trading department. He also was former President of the Bond Traders Club in Kansas City.



Eldridge Robinson

McIntosh to Manage Office Of King Merritt in Los Angeles

LOS ANGELES, CALIF.—Raymond H. McIntosh will be in charge of the Los Angeles office of King Merritt & Co., Inc., Chamber of Commerce Building. Mr. McIntosh joined the firm's staff some months ago. Prior thereto he was with Geo. H. Grant & Co. and Investors Syndicate.

Mutual Funds

By HENRY HUNT

An 8,000 to 1 Shot

Some investors think that they obtain better results selecting individual securities than through the purchase of mutual funds. Actually, very few do.

However, for those investors who try to pick their own winners, the following formula is suggested. First, make sure the stock market is going up. This should be easy—at least, you have a 50-50 chance of being right.

The second step is to study the 40 odd leading industries and decide which one has the most promising outlook. This step takes more time and the odds are only 40 to 1 against your being right—but it's a lot of fund trying to pick the right one.

Having made your industry selection, the third step is to analyze most of the stocks representing this industry—100 issues should be enough—and determine which one will prove the most advantageous holding. This will probably take you several weeks, but presumably you have plenty of time on your hands. Otherwise, you would let a mutual fund management do this work for you. If you have successfully negotiated the first three holes (the odds are only 2 x 40 x 100 or 8,000 to 1 that you haven't), you then come to the fourth step, the "blind" hole that stumps even the experts.

Assuming you have picked the 8,000 to 1 shot—let us say at $10 a share—and it advances to $15 a share, should you take your profit or hold on? One of the most difficult investment decisions is to determine when to take a profit or when to let it ride. The writer once bought a utility holding company equity in 1927 at $40 a share and made 10 points within a month or so, feeling he was a pretty smart trader. Two years later it sold at $700 a share. However, in 1932, it sold at 50c a share.

Very few investors are in a position even to attempt to select the 8,000 to 1 shot. In fact, no one can hope to pick such an issue more than once or twice in a life time—and even then he is apt to sell out too soon or too late.

The sensible program for most investors to follow is to diversify their funds to the best of their ability in an attempt to assure at least average results. If the investor doesn't have sufficient capital to obtain proper diversification, mutual funds offer such diversification whether $1,000 or $100,000 is available for investment.

"National" Does It Again

For the second consecutive year the annual report of **National Securities & Research Corporation** was judged as best of the Investment Fund industry in the final considerations of the Independent Board of Judges in the "Financial World Annual Report Survey." The second bronze "Oscar of Industry" trophy will be formally presented to H. J. Simonson, Jr., Board Chairman of the company, at the Annual Report Awards Banquet in the Grand Ballroom of the Hotel Pennsylvania in New York on Friday, Oct. 10. In this classification, **Massachusetts Investors Trust** was runner-up, while **New York Stocks, Inc.** came in third.

A year ago **National** also won the silver trophy for the best report of all companies in the financial field while two years ago it was runner-up to Merrill Lynch, Pierce, Fenner & Beane. More than 3,500 annual reports were considered during the latest competition.

Correction

The second sentence, second paragraph of the lead article last week defining balanced funds should have read, "As a rule, certain limits as to the maximum percentage of common stocks or minimum percentage of **bonds** permissible in the portfolio are set."

The Fear Psychosis

The following interesting commentary although unsigned was undoubtedly written by **Charlie Werly** of the **George Putnam Fund**, one of the finest writers in the business.

"Is it just possible that we in this country—and especially people of means—are suffering from a fear complex these days? For some time now the newspapers, the columnists, and the radio commentators have been selling 'crises.'

"First, we have a 'recession crisis' then a 'Greek crisis' next an 'inventory crisis,' then there is a 'crisis in Iran' (or was it Iraq), now there's the 'dollar crisis'—and, of course, we always have the 'Russian crisis.' The word 'crisis' is over-worked these days; a better word to describe these situations, in our opinion, is 'problem.' There are plenty of problems in the world today that must be faced realistically and dealt with courageously—but there are few 'crises.'

"It is conceivable that we in America, with the highest standard of living in the world and the greatest record of material accomplishment over the past 50 years, are developing an inferiority complex. If recent events prove anything, they should prove to us the superiority of our way of life—our free enterprise economic system and our democratic system of government.

"It is state socialism and communism that is on the defensive today—not capitalism! Those countries which are showing the best recovery from the devastation of World War II are countries like Belgium, which are allowing and encouraging the greatest measure of free private enterprise. Capitalism is delivering the goods to a starving world today. With all of our faults, with all of our weakness—this is still a great country, a great people, and a great economic and political system.

"We are neither unaware of, nor unworried by all the problems facing this country. But, there is a vast difference between 'fear' and 'caution.' Reasonable caution we recommend strongly—fear is something to be avoided because it interferes with the exercise of good judgment and it makes for inaction rather than action."

The Evolution of Investment Funds

John Kalb, the senior partner of **Kalb, Voorhis & Co.** has recently prepared a comprehensive review of investment funds, and writes in part as follows: "The development and growth of investment funds is no mere accident. They were born to provide the smaller investors with diversification and management. Their place became essential as the private industrial wealth of this country manifested itself in public corporate form.

"The fact remains that today the smaller investor desiring or requiring an outlet for funds has hardly any choice other than a Government Bond or the securities market. Others—older forms of investments—are hardly open for him.

"Investment trusts have gone through their period of 'Robber Baron' abuses. They accomplished in five years between 1924 and 1929 what took rails and utilities 30 years—resulting in the equivalent of broad public control and regulation. The investor today has the benefit of rigid controls under the Securities and Exchange Act which has helped promote full disclosure and practices.

"In the 25 years since the industry was born, managements of investment funds have developed a sense of responsibility somewhat akin to the public viewpoint of many of our large industrial enterprises.

"As a result of this evolution better established investment funds now are entitled to an important place in a small investor's portfolio. They have come of age. In their open end shares a security salesman has, we believe, merchandise which he can offer to a small investor in good conscience."

Notes:

Hugh W. Long's "Manhattan Bond Fund" reports assets of $26,807,000 on Sept. 1, a new all time high.

National Notes No. 425, issued by **National Securities & Research Corporation**, is titled "How to Obtain a 'Rebate' on Two-Thirds of the Money You Spend."

Distributors Group believes that "heavy" or "capital goods" industries offer the greatest values per dollar of market price, including agricultural, electrical equipment, industrial machinery, railroad equipment, steel, and automobile.

The Sept. 15 issue of "Perspective," issued by **Calvin Bullock**, discusses the outlook for copper.

The Keystone Company of Boston has published an elaborate booklet describing the Keystone organization.

The Sept. 9 issue of "These Things Seemed Important," published by **Selected Investments Company of Chicago**, is devoted to an interesting review of developments during the past year and future prospects.

Dr. Marsh Economist For Royal Bank

Dr. Donald B. Marsh has been appointed economist for The Royal Bank of Canada, according to announcement. Dr. Marsh brings to his new position a wide academic and practical experience in the realm of economics and political science.

Dr. Donald B. Marsh

Concurrently, Dr. Marsh has been employed in tax research and has prepared various specialized memoranda for private business groups. Since January, 1945, he has been associated with the Department of Financial and Business Research of the Chase National Bank and recently acted as Rapporteur for the Committee on the Flow of Capital, United States Associates of the International Chamber of Commerce. He is the author of numerous articles on economics, international finance, trade and taxation and of various special studies undertaken for the Chase National Bank.

In addition to serving as the Royal Bank's economist, Dr. Marsh also is attached to the Department of Economics and Political Science at McGill University as Professor of Economics. He is the author of "Taxes Without Tears," published in 1945, and is now engaged in writing a book on international economics.

He holds his Masters Degree from Louisiana State University and a Ph.D. in Economics and Political Science from the University of Illinois. Since receiving his Doctorate he has taught at Barnard College, Columbia University and at the Graduate School.

Stassen Upholds Taft-Hartley Act

Says it is a good law, but needs amendment by removal of non-communist affidavit requirement and elimination of freedom of the press restrictions. Urges firm attitude against Russia. In address at Springfield, Mass., he proposes "Save Food" plan.

Speaking at a meeting of the New Hampshire Press Association at Hempton Beach, N. H., on Sept. 19, Harold E. Stassen, former Governor of Minnesota and candidate for the Republican nomination for President, upheld the Taft-Hartley Act but proposed two amendments, which, he said, would remove restrictions on individual freedom.

Harold E. Stassen

"As you know," Mr. Stassen stated, "I supported the final passage of the Taft-Hartley law. Taken as a whole it is a good law. It will improve labor relations in the nation. It will not injure the workers, but in fact will benefit them through less strikes, less loss of wages, more democracy in unions, and no weakening of the fundamental rights of labor.

"But in two respects serious infringements of individual liberty have developed.

"The first arises from the ruling of Robert Denham, General Council of the Labor Board, that all officers of the general executive board of AFL and CIO must sign affidavits that they are not Communists before any local union affiliated with these organizations can qualify for the assistance of the Labor Board or for its rights under the law.

"John L. Lewis has specifically refused to sign such an affidavit. Consequently, thousands of local unions and millions of workers are deprived of their rights under the law.

"These millions of workers in other AFL unions have no control over John L. Lewis. John L. Lewis has no control over the members of the unions not included in the United Mine Workers. It is un-American and contrary to our basic principles of individual liberty that men should lose their rights in such a manner.

"I note that specifically President Dan Tobin of the Drivers Union has signed an affidavit and seeks to comply with the law on behalf of the members of his union, which is one of the largest in the nation. There is no more loyal group of American citizens than the members of the Drivers Union. They have never followed either John Lewis' extreme policies nor the treacherous Communist labor line. They should not be disqualified.

"It appears to me that the only sound rule is that the affidavit requirement shall be interpreted to apply in each instance only to those officers who have direct authority over a specific union, including the power to authorize strikes. Thus, if a local union has complete autonomy and makes its own decisions on strikes and other important measures, the affidavits of its own local officers should be sufficient to qualify under the act. If the local union is a part of a parent organization whose approval must be obtained for strikes and other important action, then affidavits of the officers of that parent organization should be required.

"The interpretation of the law given by Mr. Denham gives to John Lewis a veto as drastic as the veto used by Mr. Molotov in the United Nations Security Council. It is not consistent with the American approach of individual rights and is unconstitutional.

"This interpretation should be promptly overruled by the National Labor Relations Board, or by the Courts, or the law should be amended.

"The second invasion of freedom arises from the interpretation given to the clause prohibiting direct or indirect political contributions by unions.

"Newspapers published by unions should have inviolate the complete right of freedom of press to print anything they wish on any subject, including politics, limited only by the regular laws of libel. To hold otherwise would constitute an opening wedge in an attack on a Free Press. Many of the newspapers of our country are owned by individuals who also have other interests in business or in government. If we permit a classification of newspapers and restrictions on the rights of a Free Press, we fundamentally violate one of the most important liberties of the American people.

"I urge that even though you disapprove of every word published in every labor union paper in America, you emphatically insist upon their right to publish it."

Advocates Firmness Toward Russia

Speaking of the Russian attitude, Mr. Stassen urged a firm attitude by the United States, but expressed the belief that no change can be expected in Russian policy "until the Politburo becomes convinced there will be no clash in our economic system.

"The Russians think," he said, "that if we have another crash, then we will have to withdraw from Europe and the rest of the world. Only if they become convinced this will not be the case do I think there is a possibility of changing this situation of clashing policies.

"In my judgment, major factors in the success of America in meeting this world-wide challenge will be the accuracy with which the press informs its readers on the issues of the day and the vigor with which it upholds individual freedom for the American people."

Proposes a "Save Food" Program

On the following day at Springfield, Mass., Mr. Stassen urged Pres. Truman to promptly start a nationwide voluntary food conservation program to bring about a drop in current food prices and at the same time permit food relief to Europe.

"The voluntary method can succeed" Mr. Stassen stated, "The American people will cooperate if the President will give the definite leadership which it is his duty to provide. This is the plea and challenge which I believe the citizens of our country join in presenting to the President as he returns to Washington.

"It is clear," Mr. Stassen continued, "that we must stop the inflationary price-wage spiral in America, if we are to avoid a boom and a bust similar to our tragic experience after World War I. Is it not clear that the place to stop the price-wage spiral is by bringing down the price of food?

"It is my view that the sensible manner to do this is for the President to initiate promptly a nation-wide coordinated voluntary 'Save-Food' program. It should have definite quotas or standards for individuals and for industries. It should include organized resistance to excessive prices.

"This can be accomplished if the press, radio, magazines and movies are enlisted to give active support to the voluntary mobilization of the people of the country on a definite, practical program including meatless days and heatless days, less waste and smaller portions.

"Such a program of food conservation and buyer resistance will bring down food prices and will also make it possible for a careful sound measure of governmental purchasing to provide the necessary extra food for Europe this next winter."

With G. E. Leslie & Co.

(Special to THE FINANCIAL CHRONICLE)

HALIFAX, N. S., CANADA—James C. Morrow is with G. E. Leslie & Co., Bank of Nova Scotia Building.

Carter H. Corbrey Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—William H. Nelson is now connected with Carter H. Corbrey & Co., 650 South Spring Street. He was previously with Investment Fund Distributors.

A Double Standard in The Securities Business

By HARRY W. BESSE*
President of the Boston Stock Exchange

Mr. Besse deplores exemption from registration requirements of unlisted securities, and contends it is eroding "the green fields of stock exchange prestige." Says existing legislation fosters a double standard in securities business. Wants legislation requiring information by corporations not having listed securities.

It has been said that the conservation of the remaining food producing soil of the world is the greatest real problem before mankind today. Unfortunately, one does not think overmuch about the erosion of soil when so much remains. Undoubtedly, we should concern ourselves more actively about this tremendous problem. Sometimes it seems to me, however, that we in the United States are as indifferent to the erosion within our profession as we are to the disappearance of the top soil of Asia Minor or from the slopes of the Yangtse valley. Yet, the existence of erosion in formerly green fields of stock exchange prestige is a plain and obstinate fact. There was a time when the center of gravity of the financial world had sought and found its natural place in the stock exchanges. I say "natural place" because the constructive and protective requirements demanded by the exchanges in the public interest had merited the high respect that they enjoyed from the financial world and from the informed public as well. In spite of the best efforts of the exchanges, erosion began. Exemption from the necessity of making disclosures of essential information was provided by the Securities Act of 1934 for companies who did not choose to register. Certain very sizable corporations refused to register and by this refusal deprived their security holders of the protection intended both by the act and by the rules of the Exchange. Here was an early evidence of erosion. It was one of the first warnings of the center of gravity being displaced toward a nebulous and relatively unregulated field. From that day, financial archives record a relentless procession of petitions by corporations to delist their securities from the stock exchanges. The natural corollary has been the drying up of new listings to replace those lost through liquidation or consolidations. It became common practice for issuers to refrain from listing on regional exchanges, whereas a few years before, listed securities carried a much-to-be sought hallmark. Was this unfortunate sequence the fault of the exchanges? Certainly the files of our government and of the exchanges will contradict such a conclusion. What, then, was the reason?

Many of us, and certainly I personally, believe that, more than any other contributing factor, the cause is the existence of legislation which fosters a double standard in the securities business.

Both the Boston Stock Exchange and the Commission are committed to the proposition that investors must be provided with certain minimum information before they can reach intelligent decision with regard to their securities.

Believing as we do, we cannot, we do not, stand indifferent to the plight of investors in unregistered securities. The Boston Stock Exchange likes to think of itself as a real working partner of the Securities and Exchange Commission in the efforts of each to improve and revitalize the securities profession. The well-being of clients served by our members is a matter of equal concern to each of us. When legislation is required to assure this well-being, however, we believe it their prerogative to act for the partnership.

We of the exchanges can only urge and we of the Boston Stock Exchange do urge the Commission to expedite to the Congress a request for legislation which will effect an equality of responsibility from all substantial issues of securities. From time to time legislation will be enacted in each of your fine republics. I suggest you watch these various proposals as they are submitted to your law makers. Contest with all of your strength the enactment of legislation which interferes with free enterprise. With equal enthusiasm, endorse heartily legislation which serves to protect the investor. Above all, cooperate sympathetically with your Congress so that legislation does not create a law for one issuer and design for evasion for another.

I believe the standard of ethics developed by the stock exchanges of the United States is among the highest in the world. It is the life giving top soil of our financial system and I do not wish to see it washed away.

*Address by Mr. Besse before the First Hemispheric Stock Exchange Conference, New York City, Sept. 18, 1947.

J. V. Worboys With McDonald-Moore & Co.

DETROIT, MICH.—McDonald-Moore & Co., members of the Detroit Stock Exchange, investment dealers and brokers with offices in the Penobscot Building, announce the association with them of Jesse V. Worboys as sales representative. Mr. Worboys is a familiar figure on Griswold Street, having specialized in municipal bonds since 1919, first with Hornblower & Weeks and later with Braun, Bosworth & Co., H. V. Sattley & Co., Inc., and for the past seven years with L. T. Hood & Co.

Jesse V. Worboys

John J. O'Brien & Co. To Admit P. Tallman

CHICAGO, ILL. — Philip Tallman will become a partner in John J. O'Brien & Co., 209 South La Salle St., members of the New York and Chicago Stock Exchanges. Mr. Tallman has been with the firm for some time.

With Schwabacher & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — P. H. Coleman, Jr., has been added to the staff of Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges.

High Prices the Result of Administration's Blunders

By HON. ROBERT A. TAFT*
U. S. Senator from Ohio

Senator Taft, in speaking of rising prices, places blame on policies of New Deal Administration and a too rapid price decontrol by President Truman. Admits peacetime price control was impractical and says President's policy promoting higher wages while seeking to hold prices down, has contributed to inflationary prices. Holds reenactment of price control is not the remedy, and sees end of price spiral at about 60% above prewar level. Advocates reduced government expenditure and lower taxes; restriction of exports, and education campaign. In Reno address, reiterates demand for reduced government spending.

Today I wish to deal with the danger which faces the country from the high prices particularly of food stuffs and the spiral of inflation by which higher prices are increasing wages and higher wages are increasing prices. The left-wingers are trying to put the burden of these prices on the Republicans. Who has been in control of this government anyway for the last sixteen years? High prices today are no sudden emergency. They are the inevitable result of the Roosevelt-Truman policies since the beginning of the war. As long ago as April 9, 1945, I pointed out that in view of the President's policies the real danger before the country in the postwar period was inflation resulting from the great war spending and deficits, accumulated currency deposits and "E" bonds, foreign loans and loans to veterans. I opposed a policy of unlimited credits to foreign countries partly for that reason. As long ago as Nov. 23, 1945, I pointed out that the acts and real policies of the Administration contradicted its promises to prevent inflation and constituted a policy of planned inflation.

Robert A. Taft

What are the steps which have brought about the present condition?

(1) Of course, the basic difficulty was the tremendous borrowing of the war period following the repeated deficits of the '30's. $50 billions a year of additional purchasing power was created by the government and much of this is now coming into the market to force prices up. During the war we established a fundamental government control of wages, prices and distribution. We had a control of price, effective until near the end of the war. We had a less vigorous control of wages, and a number of different methods including rationing, to control distribution. Every act of every businessman was dictated from Washington. Civilian production was severely controlled, and in many industries small businesses were destroyed because they were squeezed into the price limitation only possible for the larger concerns. To avoid this, variations began to be made until price control degenerated largely into profit control with all the injustice and delay involved in the government trying to give discriminatory treatment to hundreds of different concerns. By the end of the war wages were up considerably more than prices and the increased costs produced by higher wages resulted in many products being entirely eliminated from the market. It has taken time to restore the production of these articles.

Price Control Ended Too Rapidly

(2) President Truman ended price control too rapidly. Now he is blaming the Republicans for the end of OPA, but in the first place it was a Democrat Congress which considered all the questions relating to the extension of OPA and passed the OPA bills; and it was President Truman who vetoed the first bill, and cancelled all price control under the second.

Let me review what actually happened when the war ended. After V-J Day in September of 1945, the government abandoned wage control. From then on the effort to enforce price control became increasingly difficult but it could have been done by abandoning the freeze theory and limiting distributors and manufacturers to a reasonable margin over cost. The left-wing group desired to continue a strict price or profit control without wage control. Not only that, but the Bowles theory demanded a rigid fixing of prices with only slight regard for increased costs of wages or anything else. I wanted a very gradual relaxation of these controls, maintaining a reasonable margin over cost so as to get production but to permit no rapid or substantial increase in prices. I believed that the one solution to all postwar problems of employment and reasonable price levels was more production, and that more production obviously could not be obtained without a reasonable margin reflecting increased costs. Because the first OPA bill contained the simple provision that increased costs must be reflected in increased prices, the President vetoed the bill, thus removing all controls for a period of six weeks. That practically wrecked the possibility of further scientific control.

President Could Continue Controls

(3) After the veto, I cooperated with Senator Barkley in enacting another OPA law, but because of the six weeks hiatus we could not secure as complete a control over agricultural products as did the first bill. The President's own Board then decontrolled grain and dairy products. The President himself canceled meat control. Insofar as the price of manufactured goods was concerned, the President had full power to continue control until June 30, 1947, providing he recognized increased costs. He voluntarily abandoned this control just after the election, so that if manufacturers were making excessive profits in 1946 and 1947, it was not due to Congressional action. The President was dominated by the Bowles theory that if control could not be rigid and unreasonable, it should be completely abandoned.

I quite realize the reasons for the President's action in removing all meat control about the time of the 1946 election. He was advised by every Democrat politician that controls affecting the supply of commodities had become so unpopular that unless he removed them, there would be an overwhelming Democrat defeat in November. He did not act soon enough. The people had come to realize that his kind of government control was responsible for the complete absence of many essentials from the markets. They wanted production and were willing to pay for it.

I do not think myself that government price control in any general form is possible in time of peace. We saw how rapidly it broke down because popular opinion was against it. We saw how black markets came into existence whenever the prices fixed were out of touch with the realities of the situation. But I do think that a much more gradual modification of control would have delayed the spiral of inflation and that prices would be lower today.

(4) What about the cost of housing? When the President demanded unlimited emergency powers over housing, and huge sums to subsidize the production of scarce building materials, the Republicans cooperated although the program was opposed to their principles, because they realized the tremendous emergency in housing and wanted the President to have every power. He set up the Wyatt program and then the President himself assumed the responsibility for canceling the whole program, firing Wyatt and abandoning every effort to hold down costs.

President's Wage Policy

(5) The President's policy regarding wages brought about an increase in prices. After V-E Day the left-wing advisors of the Administration tried to boost the whole wage level of the country, already high compared to prices, on the theory that a depression was bound to occur with at least 8,000,000 unemployed. In spite of the fact that Secretary Byrnes took the opposite position, the President adopted the strange theory that there could be a pattern of general wage increases throughout the United States without price increases. It took about a week to prove that this theory was wholly wrong, when the Administration itself agreed to an increase in the price of steel. Why Mr. Snyder agreed to a price increase in excess of the wage increase I don't know, but he had to agree to some increase or go without enough steel. We see today the apparent necessity of increasing railroad rates to meet the increased cost of railroad wages. Of course, wages are a part of costs and will result in increased prices unless there is increased productivity per man, or unless the industry is peculiarly profitable.

After V-J Day, when wage controls were removed, it was understood and proper that labor unions would go out and get the best increases they could get consistent with the ability of the business in which they were working, but without giving legitimate grounds for price increases. In two or three months, increases were negotiated in many fields, particularly by the A. F. of L., ranging from 5 and even up to 20% in a few prosperous industries, and few price increases were necessary. Then, suddenly, responding to the CIO demand for a general 30% increase, the President repudiated his first position and the action of the A. F. of L., and encouraged an 18½% cent increase pattern throughout all industry, together with large increases in salary for everyone, including especially government officials. Obviously, many wage increases were justified. Obviously, even today, wages and salaries in some fields have lagged behind the increased cost of living. But the effect of a general wage increase

(Continued on page 24)

*An address by Sen. Taft before the Commonwealth Club, San Francisco, Cal., Sept. 19, 1947.

Notes Foreign Assets Rise In U.S.

Department of Commerce estimates amount, including gold held here, at more than $25 billion on June 30, 1947, above prewar peak.

In the September issue of "Current Business," published by the United States Department of Commerce, an estimate is made of the foreign assets in the United States. Although these assets in the second quarter of 1947 are reported to have declined about $1 billion, the total, including both short-term and long-term items, is placed at $26.3 billion, of which $16.8 billion consists of gold and bank balances. Analyzing the figures, the article states:

Of the long-term assets, about $3.7 billion consisted of marketable securities, which, however, are mostly in private hands. Other long-term assets consist primarily of direct investments which, as wartime experience has shown, are very difficult to liquidate. Of the total gold and bank balances of foreign countries about $9 billion belong to Europe, about $4.2 billion to the Western Hemisphere, and $3.5 billion to Asia, Africa and Oceania. In addition, international institutions had $4 billion to their credit.

Europe Pays Dollars to Other Areas

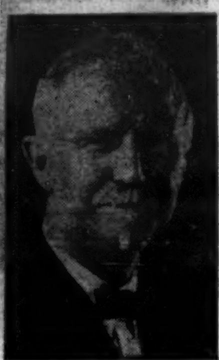
Due to the increased need of non-European countries, particularly those in the Western Hemisphere, for dollars, and their ability, in a sellers market, to require payment in dollars for their exports to Europe, the drawings on United States loans to European countries increased during the second quarter. In fact a rough analysis of the United States balance of payments by areas shows that about $500 million obtained by Europe through current transactions, loans, and the liquidation of gold and other assets was paid to non-European countries, of which $300 million was transferred to the Western Hemisphere, and $200 million to countries in Asia, Africa, and Oceania. This situation shows that the United States export surplus with Europe from the first to the second quarter increased $56 million (as against increased loan disbursements to Europe by the U. S. Government and international institutions of about $500 million), whereas the export surplus with the Western Hemisphere increased $130 million and the export surplus with other countries $142 million.

Human Values

By ROGER W. BABSON

Mr. Babson, commenting on a personal bereavement, points out human values should not be forgotten by businessmen in their study of cold statistics. Says we can prevent World War III by giving up our luxuries for awhile in order to raise standard of living abroad, and concludes wars do not settle great questions when ideologies are involved.

I have had several good grandchildren; but only two have been boys. One of these is artistic and has no interest in business; he was in the Service and returned from Europe safely. The other, Michael, had been much interested in business, one with whom I had discussed my affairs although only 18 years old. He had been working at a Sunapee, New Hampshire hotel all summer; recently he took a speedboat party out on Lake Sunapee. Somehow one of the girls fell overboard. Michael stopped the boat and dove in after her, knowing that she could not swim. He succeeded in dragging her to the side of the boat so that the others could pull her in. This they did; but Michael was exhausted and sank to the bottom. Divers finally recovered his body. It was a splendid way to go and I am much prouder of him than if he had lived and made a million dollars.



Roger Babson

Have You Really Suffered?

But why do I tell my personal troubles to you readers? There are two reasons:—First, because it has brought trouble home to me and makes me appreciate *human values*. It is the first blow which I personally have had since my sister was drowned here at Gloucester many years ago. I lost no near kin either in World War I or II. War fatalities were only cold statistics to me. This is the first time I have appreciated what these 350,000 families really suffered and what a thousand other families are experiencing every day of every year.

During my career, I have studied only profits, wages, bushels and tons. Friends, I fear there are too many other American businessmen who are like me,—forgetting the *human values*. This may explain why we do not understand the millions of wage workers whose only assets are their boys and girls. Today I am trying to think of them, and also of the millions of starving families in Europe who love their children just as much as I loved Michael.

We Can Prevent World War III

My second reason for mentioning Michael is to apologize for my habit of discussing World War III as if the money cost and property damage are of primary consideration. Heretofore, I have figured which is the cheaper in dollars,—to help out Europe now or to fight now. I have not considered the millions of good boys who would be killed in another war. Again I fear there are too many other businessmen—and perhaps labor leaders too—who are as ruthless as I have been in thinking too much of the dollars involved and not enough of the human lives. Anyhow, I am a changed man today.

Just one more thought: Of course, if World War III comes, we will be told that it is a fight for "democracy against dictatorship." But since losing Michael, I have been wondering if there is not a more underlying reason for today's world troubles. May not property, stocks, profits and wages be one reason for the struggle between America and Europe? If we would be willing to sacrifice some of our wealth—in a big way—perhaps Russia would have to call off her gangster methods.

Which Shall It Be?

This does not mean that we would pay tribute, as a cowardly nation, to Europe, but it would be licking these dictators by giving up our luxuries for awhile in order to raise the standard-of-living abroad. We, however, cannot accomplish such without making real sacrifices. It might temporarily require farmers to forego profits, investors to forego dividends and all of us to work ten hours a day for reasonable wages. The question is whether we will do this voluntarily by the use of commodities, or will we still insist on fighting Russia with human lives?

In either case it would mean real sacrifice and perhaps a surface setback for America; as it should be done without increasing the Federal or other debts. Before losing my grandson, I was all for fighting now and "cleaning Russia up"; but today I think there may be a better way. Besides, do wars ever settle great questions when ideologies are involved?

John T. O'Brien, Jr. With E. J. Caughlin

PHILADELPHIA, PA.—John T. O'Brien, Jr., is now associated with Edward J. Caughlin & Co., Finance Building, in the sales department.

Wade Bros. to Admit

Alfred Fisher will be admitted to partnership in Wade Bros. & Co., 60 Beaver St., New York City, members of the New York Stock Exchange on Oct. 2.

J. J. Wilde Opens

SAN FRANCISCO, CALIF. — Jerome J. Wilde is engaging in the securities business from offices at 251 Kearney St.

With Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

EUGENE, ORE.—Gilbert Pease is now connected with Foster & Marshall, 874 Willamette Street.

Reports on Newcomers in Investment Field

Boston Investment Club gives results of questionnaire relating to need of attracting and holding young men in the industry. Suggests greater coordination between trader, statistician and salesman, and better education in finance for beginners.

The Boston Investment Club, of which Robert G. Gerrish, of Whiting, Weeks & Stubbs is President, has issued a report, compiled by the officers of the Club, showing the results of a questionnaire sent to members of the Club relative to the question as to why so many young men were leaving the investment business. The questionnaire also requested constructive suggestions and criticisms on the part of the men with respect to the training, or lack of training that they were receiving from their houses.

According to the report, the circumstances of the man who has entered the business since the war for the most part is vastly different from that existing in any previous time. No longer is the beginner fresh from school and in a position to look upon a year or more of unproductive labor as a continuation of his education. The average postwar newcomer is a married man with one or more children.

While he might be willing to work several years for a very nominal amount, the needs of his family make it imperative that he develop some earning power in the very near future.

The questionnaire of the Club had as its base two main questions:

(1) Why are so many men leaving the investment business?

(2) What can be done to reduce this number?

Of a group of 70 men who completed a training course in June, 1946, 50% of those who commenced selling have already left the business. In individual houses the percentage varies widely. One house which took on 12 men, has lost nine; another lost nine out of ten; and another six out of six. Even the 50% turnover mentioned above is not truly indicative, for while the period covered one year, a number of the men were selling only a small fraction of that time. Ample evidence, therefore, is at hand to show that this problem is truly a serious one.

The primary answer to the first question is—money. The men felt that current and near term earnings failed to justify a continuing investment of their time and money. Indications are that average net commissions of men who had been selling approximately one year were $50 to $75 a month for the full period. Perhaps two men in one hundred had averaged $200 a month for the full period.

The second question — "What can be done to reduce the number of men leaving the business?" — can probably be rephrased to — "How can they make more money sooner?"

This brings up suggestions as reported in the questionnaire.

About 50% of the men reported that they felt their training was not sufficiently thorough and intensive. Most of the criticism was directed at the lack of organization of their training programs. They also felt that their training consisted of "watching" rather than "doing."

In this connection there are perhaps two basic situations, says the report.

(1) The newcomers for the most part have spent the last several years in the armed forces where nearly every move was planned for them. They are used to being members of a *team!* It is not easy to adapt themselves immediately to a job which provides such freedom of action and requires such great self motivation.

(2) Most houses now consist of a group of men who have been in the business for many years and who prefer — perhaps demand — very great freedom of action. By reason of their knowledge and long experience this is perfectly understandable. The houses then are a collection of free lancers.

Right at the outset, there is this divergence, this cleavage. The houses are naturally geared to the requirements of the older men.

The suggestion is that the houses attempt to develop greater teamwork and provide much more intensive guidance and push to the newcomers.

It is specifically recommended in the report that there be greater coordination between the trader, statistician and salesman. Also that advice by the sales manager be given on following up an initial interview with a prospect, as well as frequent sales meetings to boost the morale of the beginner and to provide selling ideas.

It is stated that from time to time certain developments occur —which to an experienced man— make a security an attractive buy or a sale. These same developments might well pass unnoticed by the newcomer. He must depend, therefore, on his house for this information. More than one-third of the men reported that their research department failed to furnish them with sufficient selling ideas or with suggestions for trades.

The report concludes by stating:

"In a business which requires such a rounded and yet specialized knowledge of finance and practically every phase of business, it is surprising to note that the background of the newcomer is so sketchy in this regard.

"Sixty-five per cent of the member house men and 80% of the non-member house men reported having no prior financial experience or training. For more than half the men this is their first full time job. For three-quarters of them this is their first selling experience.

"They should be taught that they must first ring doorbells before they can profitably ring telephone bells. Apparently the men are spending altogether too much time in the office. 85% of the men reported that they spend more than 20 hours a week in their office.

"This lack of experience and previous training is almost certainly a potent reason why a number of men have left and are leaving.

"It certainly must be difficult in the extreme for a comparatively untrained man to develop enough earning power in a few months or a year to support himself and family—even very modestly. 45% of the men felt that their houses would not be willing to subsidize them until they were averaging $200 per month net commissions.

"We feel very strongly that the immediate earning power of the beginner can be increased materially by an attempt to secure greater and more coherent teamwork, providing more leads and house accounts and much more thorough sales training. It is only natural but hardly fair to criticize the sales manager. Too often he is occupied with his own accounts and cannot give sufficient time to driving and following up the newcomers' progress. In order for the sales manager to be able to devote this time, he should be given an adequate salary plus a percentage of the commissions developed from new business.

"This whole thing is a tremendously big problem. Time, thought, action and effort in liberal quantities are the ingredients for solution."

Monetary Fund Reports on Exchange Curbs

Says most members of Fund are maintaining exchange restrictions in the transitional period and sees a latent inflationary pressure. Says Fund will take account of differences in conditions in member countries which lead to multiple currency practices and exchange restrictions and will consult with members with view to their eventual elimination.

The Annual Report of the Executive Directors of the International Monetary Fund for the fiscal year ended June 30, 1947, contains the following discussion of prevalent international exchange restrictions:

Control of capital movements is permitted to Fund members at all times. The Fund Agreement also provides that during a transitional period members may, subject to certain safeguards, maintain and adapt to changing circumstances exchange restrictions on payments and transfers for current international transactions. The members of the Fund which did not avail themselves of the transitional period arrangements, and which accordingly have already assumed the obligation to permit freely payments and transfers for current transactions, are El Salvador, Guatemala, Mexico, Panama and the United States.

Transitional Arrangements

It will thus be noted that most of the members of the Fund are maintaining exchange restrictions in the transitional period. In the countries whose economic position was seriously impaired by the war, the amounts of goods needed for reconstruction purposes and to meet minimum consumption requirements are in excess of their present limited productive capacity. Much of the current output of these countries is being used to repair the damage and deficiencies caused by the war. The amounts available for consumption are limited while the flow of income is kept at a high level as a result of the maintenance of economic activity, including that type of activity, such as reconstruction, which does not result immediately in a flow of consumer goods. There is, therefore, a latent inflationary pressure which in some cases is aggravated by the aftermath of wartime finance and by current budgetary deficits. In these circumstances the countries concerned are compelled to ration severely available supplies of domestically produced goods. Because of the large decline in their foreign exchange receipts, their need to limit the demand for imports is even greater.

Of the alternative methods available for limiting the demand for imports, quantitative import controls and exchange restrictions have appeared to most of these countries to be preferable to exchange depreciation. The disequilibrium in their balance of payments is temporarily very large, but it is due more to special factors connected with the war, which may in time be overcome, than to fundamental disparities in costs and prices. In the circumstances, only a very large depreciation would have had a significant effect on imports and, in view of their present limited capacity to export and the intense world-wide demand for goods, such a depreciation would not have added important amounts to the foreign exchange receipts of the countries concerned. For the reasons noted, these countries have decided to use direct control of imports and exchange payments as the primary means of limiting imports during the transitional period.

There are wide differences in the nature and severity of the restrictions maintained by members availing themselves of the special arrangements for the transitional period. In most European countries the urgency of conserving foreign exchange for the most essential imports has necessitated the continuation and even the extension of the severe wartime exchange restrictions. In several Eastern European countries exchange restrictions, although severe, are themselves subordinated to even more direct and comprehensive state intervention through state trading and barter arrangements. In many Latin American countries the huge demand for imports has necessitated the intensification of exchange restrictions, even though foreign exchange receipts are still in general at a high level. Their large demand for imports is in part a result of deferred wartime demand. In some countries, however, it is still more a reflection of the inflation of prices and incomes that has occurred since the end of the war.

Multiple currency practices when applied to current international transactions are generally a restriction on payments and transfers within the meaning of Article XIV, Section 2, of the Fund Agreement; they may, therefore, be maintained or, with the approval of the Fund, adapted to changing circumstances in the transitional period. Such practices have been in use for many years in various parts of the world and in some countries are an alternative to import restrictions. Those which are designed to restrict imports can be removed only when exchange rates and domestic price levels are adjusted to balance exchange receipts and the cost of necessary imports.

The attitude of the Fund toward the use of multiple currency practices and other types of exchange restrictions cannot be doctrinaire. It will take account of differences in conditions in member countries. During the past year the Government of Ecuador requested the approval of the Fund for an adaptation of its multiple currency practices through the imposition of a surcharge on nonessential imports, the surcharge to be used for retiring government debt. The Fund agreed to the use of this device for a short period. It will have the effect not only of limiting import demands but also decreasing the present inflated volume of currency and credit.

Under the Fund Agreement the Fund is empowered in exceptional circumstances, even during the transitional period, to make representations to any member with a view to withdrawal of exchange restrictions. The Fund is at present studying exchange restrictions and multiple currency practices now in force and will consult with members with a view to the mitigation and eventual elimination of any whose maintenance is no longer warranted by balance of payments considerations or which have a harmful effect on the balance of payments of other countries. A necessary condition for the significant relaxation of restrictive exchange practices is the establishment of a better pattern of international payments. So far as Europe and the Far East are concerned, progress in this direction will depend largely on the course of trade made possible by the restoration of their own production and by the maintenance of demand in the great industrial countries. In many countries the relaxation of exchange restrictions which were made necessary by excessive import demands will ultimately depend on the success of appropriate credit and fiscal policies in eliminating monetary inflation.

The manner in which the gradual strengthening of the balance of payments position of a country makes possible the relaxation of exchange restrictions is illustrated by recent developments in Belgium. While the law gives extensive powers to the Belgium-Luxembourg Exchange Office, exchange is now granted liberally for every category of import, and many commodities can be imported without limitation. Even restrictions on the importation and exportation of bank notes, which in a system of exchange control are usually severely limited, have also been relaxed considerably.

During 1946 Brazil abolished its multiple currency practices which had consisted of six different rates of exchange as well as a tax of 5% on exchange sales. These practices, however, were replaced by more stringent exchange restrictions in order to limit the demand for non-essential imports.

Transferability of Sterling

The most significant development in the elimination of wartime exchange restrictions is the re-establishment of the transferability of sterling in current international transactions. By the terms of the Anglo-American Financial Agreement, the Governments of the United States and the United Kingdom undertook not to impose restrictions on payments and transfers for current transactions after July 15, 1947, unless in exceptional circumstances a later date was agreed upon after consultation. The Government of the United Kingdom also agreed to complete arrangements under which the sterling receipts from current transactions of all sterling area countries (apart from receipts arising from military expenditure prior to Dec. 31, 1948) would be freely available for current transactions in any currency area without discrimination.

To implement these provisions agreements were concluded between the United Kingdom and a number of other countries. Under these agreements, sterling acquired from current transactions by any one of these countries may be transferred to any other or to the United States and certain other Western Hemisphere countries. Sterling currently earned by any of these countries is thus transferable freely for current payments to other countries covered by these arrangements. The countries with whom agreements have been made are required to maintain adequate checks to prevent the use of sterling for capital transfers.

By invoicing trade and settling obligations in sterling, the recipient country thus secures an international currency that can be freely used for current transactions in nearly every part of the world. The wider use of sterling which this development makes possible means in practice that a very large part of the trade of the world is now conducted in terms of transferable currencies, particularly the U. S. dollar and sterling. The objective of restoring a system of multilateral payments, under which the proceeds of exports to any country can be used to pay for imports from any other country, is thus nearer achievement. It must be recognized, however, that the assumption of the obligation to permit the transfer of current sterling may add significantly to the burden of the deficit in the British balance of payments. There is therefore a danger that, if efforts to improve the United Kingdom's international position and the general international payments situation are not effective, the assumption of this obligation may compel the imposition of even more severe restrictions on imports and thus in some degree reduce the flow of world trade.

The complete integration of sterling into a world system of multilateral payments will be facilitated by the settlement of the problem of outstanding sterling balances held on July 15, 1947. These balances, which were to a very large extent accumulated during the war, now amount to roughly £3,500 million, the largest holders being India and Egypt. Negotiations have been in progress for some time for a settlement of these claims.

Direct Trade Controls

The progress achieved even through the total elimination of exchange restrictions on current transactions would be illusory if direct trade controls were to take their place. One of the purposes of the discussions of the proposed Charter for an International Trade Organization, now going on, is to provide safeguards against such a risk. The draft Charter under discussion provides for close consultation between the Fund and the proposed Organization on all balance of payments and monetary reserve problems. The importance to the Fund of a successful International Trade Organization can hardly be overemphasized.

With Watkins & Fordon

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Earl H. Kuhlik has been added to the staff of Watkins & Fordon, Inc., Penobscot Building.

R. F. McMaster & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Robert F. McMaster & Co., 135 South La Salle Street, have added Charles A. Beckett to their staff.

La Salle St. Women's Club Announces 1947-48 Schedule

CHICAGO, ILL.—La Salle St. Women will inaugurate its 1947-1948 season with a 6:30 p.m. dinner meeting Sept. 29 at The Cordon Club, 410 South Michigan Ave.

Miss Florence Page

Mr. Nathan D. McClure, Vice-President and Director of Harriman, Ripley & Co., Inc., will speak on "The Basic Functions of the Investment Banker." Mr. McClure also is a governor of The Investment Bankers Association of America, President of The Bond Club of Chicago, and President of the Board of Trustees of the Community Hospital of Geneva, Ill.

The speakers for subsequent dinner meetings will be: Oct. 22, Fred K. Hoehler, the new Director of the Community Fund of Chicago, who has returned recently from his position as Director of Displaced Persons Division for UNRRA; Nov. 29, Nelson Tabajara, the Brazilian Consul in Chicago; Jan. 21, 1948, H. Fred Wilson, Manager of the Banking and Public Relations division of the Federal Reserve Bank of Chicago; April 21, Edward P. Rubin, President of Selected American Shares and a partner in Security Supervisors; May 13, Mrs. Jo Ford Adamsson, Fashion Co-ordinator of the State Street Council.

In addition to the regular monthly dinners, this year's activities will include two monthly discussion groups, one devoting itself to the study of the investment business, the other to problems national and international in character.

This year's officers are: President, Miss Florence Page of Security Supervisors; Vice-President, Miss Mary Lincoln of Investment Bankers Association of America; Recording Secretary, Miss Colina Clow, Secretary to Dr. Melchior Palyi; Corresponding Secretary, Miss Irene Falout of Goodbody & Co.; Treasurer, Miss Edith Jiencke of Gofen & Glossberg.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The 1% rate for certificates was expected by the market and s a result has had no appreciable effect upon quotations of Treasury bligations. . . . The longer-term issues, especially the commercial ank group, have given ground on light volume. . . . The restricted ssues have also moved down, despite indications of buying by the maller insurance companies. . . . Savings banks, according to reports, ave been picking up the $2\frac{1}{4}$s of 1959/62 and the earlier maturities f the $2\frac{1}{2}$s. . . . The market decline is attributed to uncertainties in he international picture. . . .

BUYERS CAUTIOUS

Weakness in corporate bonds, which has been rather pronounced ecently because of the widening differential between these securities nd Treasury issues, has created some caution among buyers of govrnment obligations. . . . The transition from war to peacetime methods of financing will no doubt bring about somewhat increased nterest costs to the Treasury but this does not mean high interest ates. . . . If world economic conditions should necessitate future ssues of bonds to nonbank investors, it is believed that there might be a minor increase in the coupon rate, with a lengthening of the maturity. . . .

Some followers of government securities feel that the eligible obligations and the restricted securities, from here on, will be influenced by different forces which might result in divergent market action for these two groups. . . .

It is being pointed out that nonbank investors are finding the supply of suitable investments more plentiful with mortgages and housing projects assuming greater importance among these institutions. . . .

DEMAND FOR NEW ISSUE

The pressure to put funds into government obligations is lifting and the new nonmarketable obligation will tend to further decrease this demand. . . . While the new issue is not exactly to the liking of institutional investors, because they were hoping for a $2\frac{3}{4}$% obligation with a 25-year maturity, they will nevertheless be sizable buyers of the nonmarketable $2\frac{1}{2}$s. . . . The lessening of the demand from nonbank investors, it is believed in some quarters, will tend to take the edge off the market for the restricted obligations. . . .

NO OPTION

The eligible issues, it is felt, will continue in demand, because of the refunding policy that has been adopted by the monetary authorities. . . . There appears to be a fear among commercial banks that the powers that be will continue to refund maturing or callable issues with lower coupon obligations, as they did in the September operation. . . . The loss of income through such a procedure forces the member institutions into the longer-term higher coupon bonds. . . .

It is being noted that between now and 1951, more than $36,000,000,000 of eligible issues are due and callable and all of these securities carry higher coupon rates than the Treasury has seen fit to use in recent refundings. . . .

MATURITIES IN 1948

During 1948 more than $6,000,000,000 of bank obligations will be retirable with coupon rates ranging from $1\frac{3}{4}$% to $2\frac{3}{4}$%. . . . What are the deposit banks going to do to maintain earnings if these securities are to be refunded with short-term low coupon issues or paid off in cash? . . . It seems as though there is only one answer and that is to extend maturities. . . . To be sure, the monetary authorities could remedy the situation by being somewhat more realistic in their refunding operations and offer securities with a high enough return to end the movement into the longer-term bonds. . . .

NOT UNTIL 1952!

The position of the bank-eligible issues will not be improved for some years to come, since it will not be until 1952 when the first of the restricted bonds will be available for purchase by the commercial banks. . . . In that year about $13,000,000,000 of the ineligible $2\frac{1}{4}$s due 1959/62 and the $2\frac{1}{2}$s due 1962/67 and 1963/68 will be in the eligible class. . . .

This, however, does not solve the problem because in 1952 more than $17,000,000,000 of bank obligations will be due or retirable. . . . The scarcity factor is something that the banks must contend within the next few years, and the fear of low coupon refundings is not helping them solve this problem. . . .

Because of the timid refunding policy of the monetary authorities, which did not supply the market with securities that were needed, the commercial banks must protect their earnings against future eventuality, which means continued buying of longer maturing Treasury issues. . . . This creates a good demand for the more distant eligible issues, which should remain firm to better, irrespective of what might be the course of other government obligations. . . .

TREASURY BILLS

Firming of short-term rates is stimulating activity and trading in Treasury bills, which are assuming greater importance as larger amounts of them move into the banking system with the higher rate of return. . . . More of the banks are placing reserves that are created by the inflow of gold in Treasury bills. . . .

While the trend of short-term rates is still up, the inflow of gold is complicating the situation somewhat which probably means that firming process will be retarded somewhat. . . . Nevertheless, the gradual climb in short rates, with bills and certificates allowed to fluctuate, should have an influence upon the creation of reserves by the banks.

Vishinsky Scores "War Mongering" In U. S.

(Continued from page 23)

as a socially dangerous act leading to a serious harm.

"Nevertheless, the gentlemen who made the baiting of the Soviet Union and other democratic Eastern European countries as well as consistent democrats and antagonists of a new war in other countries their profession, never lack false and slanderous insinuations manufactured by those provocateurs and war-mongers, and spread all over the world through numerous information canals.

"They stubbornly preach that a new war is inevitable, and this under the pretext that it is necessary to forestall the alleged aggressive policy of the Soviet Union and other Eastern European countries."

Accuses John Foster Dulles

In the course of his remarks, the Russian delegate attacked specific corporations, scientists and individuals as "war-mongers" in the following words:

"It should be noted that the capitalist monopolies, having secured a decisive influence during the war, retained this influence on the termination of the war, skillfully utilizing for this purpose governmental subsidies and grants of billions of dollars as well as the protection they enjoyed and still are enjoying from the various governmental agencies and organizations. This is facilitated by the close connections of the monopolies with Senators, members of the government, many of whom very often are either officials or partners in the monopolistic corporations.

"Such a state of affairs affects also industrial scientific activity concentrated in the laboratories of various large corporations.

"The same can be said with regard to the research in the field of the use of atomic energy. Such capitalistic monopolies like duPont chemical trust, Monsanto Chemical Company, Westinghouse Company, General Electric, Standard Oil and others are most closely connected with this research work, being complete masters in this field.

"Before the war they maintained the closest cartel connections with German trusts and many cartel agreements contained a clause on the renewal of the exchange of information after the war.

"All these facts suffice to explain the extreme interest on the part of various capitalist monopolies in the manufacturing of atomic weapons. One can find in these facts an explanation for the stubborn resistance to the justified demands to outlaw the manufacturing of atomic weapons and to the destruction of the stock of atomic bombs into the manufacturing of which tremendous sums are invested.

"The rush for profits on the part of the capitalist monopolies, their endeavor to maintain by all means and to develop further these branches of industry that yield large profits cannot but influence the foreign policy, strengthening its militaristic, expansionist and aggressive tendencies to satisfy the ever-increasing appetite of the influential monopolistic circles.

"Such is the soil that feeds in the United States the propaganda of a new war; the promoters of this propaganda are not only prominent representatives of the American influential industrial and military circles, influential organs of press and prominent politicians but official representatives of the American government as well. It is by no means accidental that the particularly violent war-mongers among them are those who are closely connected with commercial, industrial and financial trusts, concerns and monopolies.

"There is no need to name too many of them. It is sufficient to mention some of them, having in view certainly, not their personalities, personal convictions, personal merits and so on — but mainly those social groups, enterprises, industrial, technical, scientific societies whose views and interests these persons represent.

"1. Dorn, member of the House of Representatives, on May 7, when the House of Representatives discussed the proposed 'relief' assignations for the Greek and Turkish Governments, made a cynical statement worthy of an experienced war-monger, to the effect that 'the Soviet Union cannot be halted by 400,000,000 dollars, but by a big air force and bombing potential industrial centers of the Soviet Union, Ural Mountains industrial areas and other vital places.'

"2. Jordan, the President of the National Industrial Conference, made a slanderous statement on the Soviet Union. According to Jordan, for whom the sky is the limit, the United States 'should manufacture many atomic bombs and quickly release them whether there is or there is not any reason to believe that the country concerned manufactures armaments.'

"3. Earle, former United States Minister in Hungary and Bulgaria, testifying in the House of Representatives Committee on Un-American Activities, stated in a provocative manner that the United States should immediately use atomic bombs against the country that refuses to agree with American draft of inspection system. Frightening with Soviet 'reactive bombs released from the submarines' he insisted that 'the most terrible weapons should be secretly perfected' and that 'the Russians should be informed that when the first atom bomb is dropped against us (U. S. A.) we will destroy every village in Russia.'

"4. Eaton, Chairman of the House of Representatives Committee on Foreign Affairs, published in 'American Magazine' an article in which he stated that 'we are still able to block Russia psychologically; if we fail in this we should rout Russia by the force of weapon." . . .

"5. McMahon, Senator, former Chairman of Congressional Committee on Atomic Energy, stated in Congress that 'USA should be the first to drop atom bombs if the atom war is inevitable.'

"In another speech of his McMahon stated that should the negotiations on international control over atomic energy fail there are four possibilities left for USA: 'First, to accumulate a tremendous stock of atom bombs; second, to immediately begin the war; third, to set up international control authority without participation in it of the Soviet Union; fourth, to fix a date for the coming into force of the international control and declare that any country refusing to recognize it is guilty of aggression.'

"6. Brooks, Senator, from Illinois in his speech in the Senate on March 12, 1947, did not hesitate to declare cynically that had the United States listened to the advice the Republican party offered before the war and 'had the Germans eaten up Russia,' the present Truman program would have been unnecessary.

"7. General Deane (former head of U. S. Military Mission in the USSR) writes in his book that American 'military program should be designed to meet specialized situation which the war with Russia would entail.'

"8. Harwood, Vice-President of industrial firm, Cutler-Hammer, Inc., according to the newspaper, 'Journal,' said that atom bomb is a poor weapon because instead of exterminating human beings only it destroys as well an excessive amount of property. This Harwood cynically said at the conference of American Professional Institute in Milwaukee the following: 'Though it sounds cruel, but still the type of weapon we should possess if we are to wage the war, is such a one that will kill only human beings. Such weapon will eliminate during the next war the necessity to rehabilitate countries and material property on such a broad and expensive scale.'

"9. John Foster Dulles, in a speech delivered on Feb. 10, 1947, in Chicago, urged 'a tough foreign policy toward the Soviet Union,' declaring that if the USA does not take up such a course counting on possibility of reaching a compromise with the Soviet Union, then the war is inevitable. In the same speech Dulles boasted that since the collapse of the Roman Empire no nation ever possessed such great superiority of material power as the United States and urged the United States to utilize this power to promote its ideals."

The Resolutions

At the conclusion of his address, Mr. Vishinsky offered the following resolutions:

"1. The United Nations Organization condemns the criminal propaganda of a new war which is being carried on by the reactionary circles in a number of countries, particularly in the United States, Turkey and Greece, by means of spreading all kinds of insinuations through radio, press, cinema and public statements, and which contains an open appeal for an attack on peace-loving democratic countries.

"2. The United Nations Organization considers the tolerance and more so the support of such propaganda of a new war that would inevitably be transformed into a third world war as a violation of the obligations undertaken by the members of the United Nations Organization, whose charter provides for an obligation 'to develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples and to take other appropriate measures to strengthen universal peace' so 'that international peace and security and justice are not endangered' (Art. I, par. 2; Art, 2, par. 3).

"3. The United Nations Organization considers it necessary to urge the governments of all countries on pain of criminal punishment to prohibit war propaganda in any form and take measures for the prevention and suppression of war propaganda as a socially dangerous activity threatening the vital interests and welfare of the peace-loving nations.

"4. The United Nations Organization reaffirms the necessity for putting into effect as soon as possible the decision of the Assembly of Dec. 14, 1946, on the reduction of armaments and its decision of Jan. 24, 1946, on the exclusion from the national armaments of atomic weapons and all other principal types of weapons designed for mass extermination, and considers that the realization of these decisions meets the interests of all the peace-loving nations and would be the heaviest blow upon propaganda and the instigators of a new war."

Joins Boettcher Co. Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Richard W. Hughes has been added to the staff of Boettcher & Co., 828 Seventeenth Street, members of the New York Stock Exchange.

Vishinsky Scores "War Mongering" In U. S.

Chief Russian delegate to UN attacks Marshall's proposals and accuses United States of fostering war against Soviet Union. Lists John Foster Dulles, American delegate, among individuals, instigating war, and offers resolutions directed against war propaganda.

At the United Nations General Assembly on Sept. 18, Andrei Y. Vishinsky, Russian Deputy Foreign Minister and chief Russian delegate to the Assembly, delivered a long address attacking the proposals made by Secretary of State George C. Marshall two days before, (See "Chronicle," Sept. 18, page 11), and accusing the United States, along with Great Britain, Greece and Turkey in fostering propaganda for war on the Soviet Union. Mr. Vishinsky spoke for an hour and a half and at the end of his address, offered four resolutions calling upon the United Nations to condemn criminal propaganda of a new war as a threat to peace and "to urge the governments of all countries on pain of criminal punishment to prohibit war propaganda in any form and take measures for the suppression of war propaganda as a socially dangerous activity threatening the vital interests and welfare of the peace loving nations."

Andrei Vishinsky

On Marshall's Proposals

Regarding the Marshall proposals, Mr. Vishinsky stated:

"There is left for me to say just a few more words with regard to the address of the Secretary of State, Mr. Marshall.

"Questions that not once had been the subject of discussion were touched upon in this address. Most of these questions are included in the agenda of the General Assembly as separate paragraphs, which means that we'll have opportunity to state our opinion on them at the proper place and time. The Soviet delegation, however, feels necessary to dwell immediately upon the question raised by Mr. Marshall in this first statement, that is the question of independence and territorial integrity of Greece. Leaving discussion of the proper length on this question until the time the General Assembly deals with it according to the adopted agenda, the Soviet delegation feels necessary to state only that the very raising of this question is devoid of any foundation. The charges made by the American delegation against Yugoslavia, Bulgaria and Albania are utterly arbitrary and without any proof. These charges go much further than the conclusions of the majority of the commission, which were not supported by almost 50% of the members of the commission and which do not stand any criticism if one is to take any serious approach to the data on which the conclusions are based. It will not be difficult to prove that the report of the majority of the commission on the so-called Greek question is full of contradictions and gross exaggerations which deprive those conclusions of any importance whatsoever.

"Mr. Marshall's address raises new questions as well.

"Korean question. Having arbitrarily outlined the situation in such a way that the futility of the work of the joint Soviet-American commission on Korea happens to be attributed to the Soviet side, Mr. Marshall makes a proposal which is a direct violation of the Moscow agreement on Korea, reached by the three foreign ministers in December, 1945. The United States and U. S. S. R. undertook, according to this agreement, to prepare a joint solution of the problem of the unification of Korea into one independent democratic state. The new proposal made by Mr. Marshall is in violation of the obligations assumed for itself by the United States of America and for this reason is not the right one or acceptable.

"The United States Government prefers, instead of undertaking arrangements for shaping out adopted measures according to the Moscow agreement on Korea of December, 1945, and submitting them to the joint consideration of the governments of the United States, U. S. S. R., Great Britain and China, to violate its undertakings in an attempt to conceal by the prestige of the General Assembly its unilateral and by no means justified action. The Soviet Government cannot accept such a violation of the said agreement on Korea and will insist that the proposal made by Mr. Marshall should be rejected for the reason that it is contrary to the obligations assumed under the tripartite agreement on Korea.

"Mr. Marshall proposes to establish a standing committee of the General Assembly under the title of 'the Interim Committee of the United Nations General Assembly on Peace and Security' to maintain 'constant attention' to the work of the Assembly and 'in order to deal with continuing problems.'

"In spite of the reservations in the American proposal to the effect that this committee would not impinge on the matters which are the primary responsibility of the Security Council or of special commissions, there is not the slightest doubt that the atempt to create the interim committee is nothing but an ill-conceived scheme to substitute and by-pass the Security Council. The functions of this committee, whose task is to consider 'situations and disputes impairing friendly relations,' are nothing else but the functions of the Security Council particularly mentioned in Article 34 of the Charter.

"Even by virtue of this situation alone these functions cannot be transferred to any other organ no matter what its name is, without obvious and direct violation of the Charter of the United Nations, and of course the Soviet delegation can in no way accept it and will energetically oppose it. I repeat that if the above mentioned new proposals as well as the old ones in a new form are submitted to the General Assembly by the American delegation, the Soviet delegation reserves its right to make a more detailed and elaborate analysis of these proposals at the time when the substance of these questions is examined and will insist upon the rejection of these proposals which are in disagreement with the principles, purposes, and tasks of the United Nations organization, and the adoption of which could only undermine the very basis of the United Nations."

His War Propaganda Charge

Mr. Vishinsky next took up the matter of what he termed propaganda for a new war "to justify the furious armament race in the United States, atomic weapons included." His remarks on this topic follow:

"A furious campaign in the press, mainly in the American press, and in the press of the countries following the United States obediently, like Turkey, has been spread already for a considerable period of time for the purpose of coaxing public opinion in favor of a new war. All means of phychological influence — newspapers, magazines, radio, cinema — have been used.

"This propaganda of a new war is being carried on under various flags and pretexts. But no matter how much differ the flags and pretexts, the essence of the whole propaganda remains the same; to justify the furious armament race in the United States, atomic weapons included; to justify the limitless desires of the influential circles in the United States to fulfill the expansionist plans, the keystone of which is a crazy 'idea' of world domination. Torrents of propaganda of a new war and appeals to prepare for it better and more expediently flow from the pages of the American press.

"A number of newspapers and magazines, mostly American, cry every day and in every way about a new war, systematically promoting this baneful psychological coaxing of public opinion of their countries. The warmongers indulge in propaganda under a smokescreen of cries about strengthening of national defense and the necessity to fight against a war danger which allegedly comes from other countries.

"The war-mongering propagandists try by hook and crook to frighten people poorly versed in politics by the fables and vicious fabrications about alleged preparations on the part of the Soviet Union to attack America. They certainly know only too well that they are telling lies, that the Soviet Union is not threatening in any way an attack on any country, that the Soviet Union devotes all its forces to the cause of rehabilitation of the areas that either were destroyed by the war or suffered general damage in the course of war, that the Soviet Union devotes all its efforts to the cause of rehabilitation and further development of its national economy.

"The war-mongering propagandists active in the United States and in England, Turkey, Greece and in some other countries are well aware that the whole population of the Soviet Union—workers, peasants, intellectuals—condemns unanimously any attempts to bring about a new war. And such a thing is impossible in the Soviet Union. The Soviet Union is engaged in the work of peaceful reconstruction, is peacefully laboring, having much to do in the field of rehabilitation of areas damaged by war and in that of strengthening and further developing its national economy which suffered from the heavy blows of the war imposed upon the Soviet Union by the Hitlerite bandits. There is no hint in the Soviet Union, the land of the socialist democracy, the land of peaceful construction of a new life of anything, and cannot be, of anything even of remote likeness to what has taken place in some countries which consider themselves to be democratic and progressive and at the same time allow such shameful performances as war propaganda and poisoning of public opinion with the venom of hatred and enmity toward other nations.

"Should any person in the Soviet Union make a statement, even in infinitesimal degree, resembling the above-mentioned statements full of criminal greediness for a new manslaughter, such a statement would meet with a severe rebuff and public disapproval

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Canadian Securities

By WILLIAM J. McKAY

It is unquestioned that the present economic troubles of the world have their roots in basic causes that can be dealt with effectively only by constructive effort over a long period. On the other hand the severity of the present crisis threatens to destroy the fabric of the world's financial structure, in which event the task of eventual economic rehabilitation would be almost impossible of accomplishment. It is essential therefore to preserve the few remaining bases of stability while they still exist.

The U. S. dollar serves as an adequately firm pivot but stability of the other key currencies is also necessary in order to restore universal monetary confidence. A preliminary effort in this direction is already discernible following action by the International Monetary Fund in cooperation with Washington, London and Ottawa to restrain the black markets in gold that tend to undermine existing exchange parities. Thus it is clear that the concerted objective of the key currency countries and the International Fund is the removal of causes which tend to exert pressure on the key exchange parities.

In addition to the traffic in gold at premium prices another outstanding situation which disturbs confidence in exchange stability is the so-called "free" market in Canadian dollars. Despite labored explanations from Ottawa concerning the relative unimportance of this market the fluctuations of the "free" Canadian dollar receive more attention and publicity abroad than the official dollar. The erratic behavior of the "free" market not only undermines confidence in the standing of the official dollar but it also provides convincing propaganda for minority interests whose persistent efforts are directed toward the raising of the price of gold.

In this case the situation can not be corrected by official remonstrance and recommendation, but only by joint action on the part of Washington and Ottawa. According to the Canadian viewpoint this market was designed ostensibly for the convenience of the U. S. investor but in effect it has completely failed to achieve this purpose and moreover has also become a source of embarrassment to those responsible for its establishment.

Contrary to the belief that stabilization of the "free" market would lead to wholesale liquidation by U. S. investors there is little doubt the accomplishment of stabilized strength of the "free" dollar would encourage not only retention of existing holdings but also a fresh influx of U. S. capital. Furthermore success in this field would prepare the way for similar bolstering intervention in the case of sterling. Action of this kind would be by no means unprecedented and the prewar Tripartite currency arrangement, although confronted with unrestrained currency speculation, operated successfully to maintain the leading exchanges on a fairly even keel.

Under present conditions of strict control and a minimum of speculation the technical task of achieving recognized stability of the world's key currencies would be less onerous and its accomplishment at this critical stage of world affairs would have far-reaching beneficial repercussions. The cost would be dependent on results, and it follows that if such action were successful in its purpose the balance would not be on the debit side.

During the week there were signs of a stiffening trend in the external section of the bond market but the internals continued to drag in sympathy with further weakness of the "free" dollar.

As a result of a resurgence of devaluation rumors stocks staged a strong rally led by the gold and paper issues. Following almost immediate definite denials there was a subsequent reaction but the golds succeeded in maintaining most of their gains.

Woodworth Elected V-P Of Eaton & Howard

BOSTON, MASS. — Eaton & Howard, Incorporated, 24 Federal Street, Boston investment counsel firm, today announced the election of Kennard Woodworth of Dover Mass., as a Vice-President. A graduate of Harvard in 1926, he attended Harvard Business School and began his business career with the Old Colony Trust Company. He joined Boston Insurance Company in 1931, as Assistant to the President in charge of investment research.

Kennard Woodworth

After three years' service in the Navy, Mr. Woodworth in 1946 became associated with Eaton & Howard, Incorporated, and is Director of Research. He is President of the Boston Society of Security Analysts and President of the National Federation of Financial Analyst Societies.

High Prices the Result of Administration's Blunders

(Continued from page 19)

pattern was of course to increase prices.

(6) In 1946, the President vetoed the Case bill which proposed to curb in a mild manner the power of the labor union leaders to force higher wages than justified for a very limited group of powerful unions, resulting in increased prices and costs for everybody else.

Huge Funds Sent Abroad

(7) The Administration insisted that huge dollar funds be made available to foreign nations through the International Bank, the International Fund, the Export-Import Bank, the British loan and many other special advances. The Lend-Lease policy during the war had already provided many nations, particularly Great Britain and South America, with dollar reserves. We gave away everything we exported and we paid for most of our imports, so our gold reserves decreased during the war. New dollars were lavishly dispensed, usually without requiring any proof of specific needs, and loans like the British loan made dollars available to be spent anywhere in the world, finally becoming available to force our prices up. The Bretton Woods Fund was always a theoretical concept of Keynes and White with no application to the world's emergency condition.

I have believed from the beginning that we should assist other nations to get their plant in order and acquire raw materials so that they might go to work to support themselves, but the result of these loans with practically no control over the purposes for which they might be expended created a tremendously abnormal export trade from this country. The power to control exports, conferred by Congress, has practically not been exercised. Of course, foreign nations cannot buy from us at the rate of $15 billion a year without substantially increasing the whole price level in the United States. Also, government and foreign buying policies have not been pursued with any interest in price and have brought the government into the market at the most inopportune moments.

President's Opposition to Reduced Expenses and Taxes

(8) Finally, the President has fought every effort of Congress to reduce government expenses and taxes. The tax burden in this country is tremendous. The President's new estimate shows that the revenues will be over $41 billion. If we add State and local taxes, the total will be $53 billion, at least 30% of the national income. No matter how this tax is raised, it falls to a large extent on the whole economic machine and increases the costs, which inevitably bring higher prices. Take the price of a pair of shoes. The farmer pays a tax on the business of raising cattle. The railroad pays a tax on transporting to market. The packer and the processor of leather pays an income tax—in practice he charges more for the product to make up for it. So, also, the manufacturer of shoes and the retailer. One way or another, taxes paid all down the line are reflected in increased price which the consumer pays for shoes.

Specifically also, take the income tax on the lower income groups. A single person with eleven hundred dollars income, or a married couple with sixteen hundred dollars income, pays nearly a hundred dollars a year in taxes. This burden is so heavy that employers generally have to increase the pay check to prevent substantial hardship. Increased wages, of course, are reflected in increased costs.

In short, the tendency when taxation is excessive is to pass on the burden to others, and finally to the whole economic system in the form of inflation. The common effect of economic hardship on any nation is inflation. It is the easiest way out, for high government spending in peace or in war, for high taxes, for low production.

As long as prices go up, the burden of taxation is relieved by inflation. The moment prices become stable or decline, the burden of the present taxes will be intolerable. Yet, the President not only vetoed an immediate reduction, but also a reduction for 1948. His budget statement seems to indicate that there may never be a tax reduction if he has his way and plenty of time to find new ways to spend.

An argument is made that tax reduction is inflationary, whereas I have shown that its ultimate effect is the reverse. Tax reduction would permit the citizen to spend his own money for what he needs instead of the government spending it for him, probably for something he doesn't need. A tax cut will tend to prevent further wage increases which now offer the greatest danger of further inflation. It is certainly far better for millions to receive more take-home pay through a revision of taxes than for a few especially powerful groups to have an argument for higher wages.

The President's attempt to blame high prices on the Republicans because they tried to modify OPA to make it workable and get production is ludicrous.

The Remedy

What is the remedy for the present situation? Certainly, it is not a restoration of price control. The CIO urges a return to price control, saying nothing of wage control.

The President occasionally grumbles at businessmen and high prices, and blames the businessmen, none of whom have any control over their costs boosted by the President's own policies, and 90% of whom have no control over the price they can charge. But, after the way his fingers were burned in 1946, he does not advocate return to price control.

Even the Bowles-Henderson group, after condemning before our Committee the abandonment of control, were afraid to follow the logic of their own arguments by advocating a return to price control. Certainly, government fixing of price is not practicable, nor can it be the remedy unless we intend to slide rapidly into socialism. We have seen that it is only partially effective, even in wartime. After the war, we saw that it restricted production, made many articles impossible to purchase and created serious black markets in others. Americans do not like government control affecting their daily lives and their daily needs. They submitted to it in wartime, but they submit most unwillingly in peacetime, if at all. The American people still believe in that freedom which has been the basis of American success.

System of Freedom and Competition Superior

Certainly, if experience proves anything, it proves that the American system of freedom and competition is superior to other systems. The tremendous productive ability of the United States in the last war has never been equalled. While our resources are great, they are not much out of proportion to those of other countries and they are being depleted. Yet the United States stands so far over every other country in standard of living and productive ability that the whole world is at our doorstep asking for assistance. I believe that our success is due primarily to the system of internal freedom and incentive in the economic field. Perhaps we have more monopoly than we should have, though less than any other country in the world. But, in general, our laws have been effective to maintain free competition, which has not even been recognized as desirable in the cartel system of Europe and the British Empire. We would be idiots today to abandon a system at the very height of its success and follow the rest of the world into government-controlled economy.

It may be that a socialistic system can show on paper greater equality in the distribution of this world's goods, but there is certainly no evidence that it can increase the total output or improve the average standard of living. And, in the working out of the socialistic plan, it is doubtful if even equality can be secured. Certainly, the discrimination in Russia today is just as great as under any capitalistic system; and the standard of living for fortunate and unfortunate alike is infinitely lower.

The Republican party has not been extreme in its abolishing of all war control, even two years after V-J Day. It has continued rent control because of the length of time necessary to make up a shortage of housing compared to shortages of other goods. It has continued export control for a year. We realize that government must permanently take an active interest in maintaining the competitive system. But wherever there is a reasonable difference of opinion, the Republican party believes that economic freedom, less government operation of business and less government control of business, is the best method of obtaining that production which means prosperity for all. That has always been the truly liberal position.

Of course we recognize that freedom has its own abuses. The government must write the rules of the road and see that they are enforced. There is always danger that the more powerful will drive the less powerful out of business unless the government enforces strictly the rules against monopoly. In order that there may be equality in dealing with labor, the government must require employers to deal with the chosen representatives of their employees. Otherwise, there is no real freedom in labor relations.

Today we so clearly the difficulties produced by the rapid increase in the price level which brings hardship to millions of people with more or less fixed incomes. We must realize, also, however, that there are also millions much better off than they were before the war, even with prices much higher. The American people on the average, in fact, are enjoying the highest standard of living of any people in the world, now or at any time in the past. While the cost of living has increased less than 70%, according to the Bureau of Labor Statistics, average earnings in manufacturing and mining have increased more than 100%.

The greatest increase in price has been in the case of foods. In fact, more than half the increase to the average family has been due to food. In this field, there has been no charge of excessive profits to businessmen. The farmer has received his share of the increase and the increase has been due simply to the demand being so much greater than prewar demand. In spite of the notoriously high price of meat, the average per capita consumption of meat in the United States has increased 15% since 1939, so the income is there to pay for it in spite of the high prices. While the export demand has a material effect, and also the reserve supply of money saved during the war, the fundamental reason for high prices is the tremendous income of the American people today due to full employment and high wages.

Sees Spiral

There is no reason to believe that the normal course of economic development under a free system will not solve the problem. High prices will further increase production and thus reduce price. Abnormal exports cannot continue. The abnormal employment resulting from such exports and from accumulated demands postponed during the war period will undoubtedly taper off and tend to reduce demand. It is vitally important that this slowing down of abnormal activity be gradual and that new production be stimulated to take up some part of the activity which certainly cannot be continued.

What action then can we take? I believe we may as well recognize that prices are permanently up above prewar prices. Since both wages and prices have risen, wages on the whole more than prices, we had better work toward a stabilization of wages and prices at some new level, perhaps 50 to 60% over 1939. Increase in supply and some decrease in abnormal demand should bring prices back to that level from the present level of 80 to 100% increase. The excess increase in wages over 50 or 60% can probably be compensated in numerous industries by an increase in productivity. If we set 50 or 60% as the goal, we should then encourage the increase of all subnormal wages and salaries to that point compared to prewar. If prewar wages in any industry or profession were subnormal, the increase might well be larger. In this connection, I think the minimum wage should be increased from 40 cents to at least 60 cents. I do not believe that such increases in subnormal wages, or increases to white collar groups or to the ranks of unorganized labor, will tend to increase prices, but it will ease the burden of high prices for millions. We should insist upon the vital necessity of increasing the productivity of workmen by better machinery, better methods and better cooperation.

Second, there should be a further reduction of government expenses and a corresponding reduction in taxes, and we should have it at once in order to head off the inflationary effect of further increases in wages in the higher wage brackets.

Third, we should restrict exports of those products where supply is short as in the case of corn, and restrict the total volume of exports more than we do today. Congress has given the President the extraordinary power of limiting exports. It seemed to be necessary in view of the fact that we had scattered American dollars throughout the world in almost unlimited amount. The great increase in exports which has had such a substantial effect on our own price level, is not a matter solely of relief supplies for Europe. As a matter of fact, compared to prewar exports, there has been a greater increase in exports to North and South America than in exports to Europe. There has been little attempt to exercise export control at all.

Fourth, much can be accomplished by a campaign of education. There have undoubtedly been some excessive profits and the President has been right in urging upon those who have such profits, a reduction in their prices. If extra funds are available, it is far better from an economic standpoint for corporations to reduce prices rather than increase wages or dividends further. A reduction in prices will benefit millions compared to the thousands who gain from an increase in wages or dividends.

Profits

The CIO has made a great deal out of the increase in profits today. Up to the present, as the President points out in his last economic report, high corporate profits have provided funds for a substantial proportion of the heavy volume of business investment. In other words, they have not been hoarded or distributed to the stockholders, but have been spent to improve plant and purchase equipment thus providing jobs and income. The suggestion is that this profit should have been used for wage increases. Corporate profits today amount to only about 10% of the total national bill for wages and salaries, so if half of this profit had been transferred to the wage and salary bill it would have justified only about a general 5% increase. Of course, the increase already has been much greater.

Even allowing, however, for the necessary expenditures on new plant and equipment, which make for more employment and greater productivity, some manufacturers and distributors could reduce prices. Too many people today think they are entitled to more than they can legitimately claim for the service they perform. They do not realize their return has been abnormally large because of inflation. The sooner they get back to earth the better off the whole nation will be. But the natural force of steady recovery under free competition, and increased production, will, I believe, soon reduce profits to normal. They should not be subnormal as they were in the thirties. The millions of unemployed during the thirties resulted largely from the lack of funds and incentive for business concerns to expand their facilities and increase production.

Fifth, further wage increases should be discouraged to the extent that they mean increases in prices.

Voluntary Rationing

Sixth, it may be desirable to undertake campaigns for the voluntary rationing of products like meat where excessive prices show that there is a shortage compared to the demand. The country as a whole is eating more than they ever ate before and therefore many people are in a position to save on food without harm to themselves. If they do they reduce the demand and they should reduce the price for the benefit of those who are not so favored by higher incomes. Such campaigns were successful under the Food Administration in the first World War. If carefully planned and carried through with determination, I believe they can have a material effect on prices in the current emergency.

Joint Committee on the Economic Report

Apart from the immediate price situation, the great problem we have to face in a free economic system is the prevention of depressions, and particularly major depressions of the 1932 variety. To study this problem, the Employment Act of 1946 set up a council of three economic advisers on whose report the President is required to base an annual economic report. Such a report was submitted in January, and a mid-year report in July. The Act also establishes a Joint Committee of Congress on the Economic Report, of which I have the honor at present to be Chairman. This Committee is to study the President's report, and make its own studies to determine the factors which bring about depression and when there is danger of a depression occurring, and recommend procedure and legislation to prevent depressions. We have ap-

pointed subcommittees which are holding hearings throughout the United States to get first-hand information about high prices, the cause for them in particular industries and the measures which might be taken to reduce them.

We face the dilemma as to how far government can plan and interfere with a free economy and still have it remain free. No doubt a completely socialistic system can eliminate violent depressions, but apparently only at the cost of limited production in which the average standard of living is lower than the average under our system. Nevertheless, I have felt that unless under our system we can prevent the kind of hardship and suffering we saw in the thirties, the people might take the position that regardless of ultimate benefits they would try some system which did not have to reach its goal through periods of heavy unemployment.

We do know a good deal more today about economic forces than we have known before. We have better statistics. We do not have better brains, and I am afraid we have more economic prejudices to disturb our collective judgment. Economic forces are infinitely complicated and it is hard to calculate or to change the relative strength of different pressures which are operating at the same time. Human ingenuity, however, should be able to solve any problem.

Undoubtedly the government can stimulate certain types of activity like public works when necessary. It can discourage others. Prosperity depends apparently upon the proper balance between wages and prices, between farm prices and industrial prices, between savings and investment, between expenditures for consumption goods and expenditures for durable goods, between the relative income groups in the population. Education and government action should do something to keep this balance somewhere within reason. The statistics we now have should give warning. The government should be able to act in time to hold unemployment to a minimum.

In the President's first economic report, he undertook to recommend all kinds of measures dealing with social welfare and other political questions. Of course, any legislation spending government money, or setting up government bureaus has some effect on employment, but if we are to make a success of the fundamental question, politics ought to be eliminated and legislation which has only a minor effect on the broad problem of general employment and a major effect on politics, left for political determination.

One of the most difficult and important problems is the maintenance of farm prices in some proper relationship with the price of manufactured goods. We have a committee now working on a program to succeed the present program of guaranteed prices which comes to an end on Dec. 31, 1948. Here, again, we have a dilemma of maintaining a sound balance between prices without price fixing or detailed production controls. Here, again, the problem is to keep the government in a position of helpfulness and influencing basic trends without direct interference with the operation of each individual farm. The Republican program inclines against production control unless it is the only possible remedy for starvation prices.

In summary, we are completely opposed to the OPA theory, which was in effect dominated by the CIO-PAC philosophy of a detailed and unfriendly control of the individual businessman and the individual farmer. The Republican Party has always stood for a higher standard of living. In my opinion no workman has ever been paid too much for a day's work well done, but there is a limit to the total productive capacity of the country, and therefore to his share of goods made available. We cannot divide up more than we make. The great problem is to tune up our economic machine and increase production. On the whole a good job has been done in the United States, but we want to find the means of doing a better job, of raising the standard of living and increasing wages without increasing prices. That can only be done by more productivity per man. We recognize that the government must play a part in helping to make our system work, but we are strongly opposed to measures which eliminate the freedom of enterprise, because we believe it has made the United States the greatest and most powerful nation in the history of the world, and a nation which today is the envy of the entire world.

* * *

In Reno Talk, Taft Again Cites Need for Economy

The day following the foregoing address, Sen. Taft at Reno, Nev., reiterated his plea for more government economy, as follows:

"With a budget in the neighborhood of $35,000,000,000, it is no time to spend too lavishly on public works in general. We do have to reconcile all expenditures of the Federal Government with the necessity for reducing the tremendous burden of Federal expenditure, debt and taxation.

"But certainly we must proceed with a public works program, and reclamation in particular has the appealing claim that all of the projects undertaken up to this time are self-supporting, so that we can well afford to be more generous than with regard to other public works."

Senator Taft conceded that there was "nothing more important" in considering the development of the West "than the reclamation and irrigation projects with the incidental power created."

What Can Business Do About Pricing?

(Continued from page 6)

were it not for our large foreign commitments for feeding Europe—commitments dictated by both political and humanitarian considerations. As it is, the near prospect for any decrease in the food element of living costs is something less than dubious. It is disheartening.

Effect of John L. Lewis Victory

The second calamity was the victory of John Lewis in his negotiations with the United States Steel Corporation and the Northern mine operators and the price increases in steel which followed. I call this a calamity because it will surely prove to be one unless the lessons it teaches are quickly learned and acted upon.

The incident presents the type situation, in an exaggerated form, of the difficulty of avoiding inflation under conditions of full employment. In a key industry on which the whole industrial economy of the country is dependent, record breaking demands as to wage and benefit payments were made. With little visible appearance of resistance or of real negotiation, except for the oft-repeated time-consuming tactics of the labor leader, terms were accepted which amount to an increased cost in wages and benefits of forty-four cents per portal to portal hour. For each hour spent at the working face the increased cost is still greater by an indeterminate amount, depending on local conditions.

In late July, shortly after the coal settlement, the United States Steel Corporation announced substantial increases in the price of steel. These were followed in due course by increases in automobile prices and electrical appliances. Industry officials made clear in announcing the advances in prices that they were due to increased costs during the first six months of the year and did not reflect the boost in the miners' pay. Therefore, are we to expect a further round of price increases as a result of the wage cycle that the coal settlement precipitated?

With the astonishing success of the mine negotiations as the shining example, other industries are being approached for wage increases. Even if the Lewis victory did not set a pattern, it encouraged other unions to make higher demands. In New England, the textile workers, who had previously announced that they would not press for further pay boosts, changed their minds following the coal settlement and demanded and won a 5% wage increase. More recently, in the agreement with the non-operating railway brotherhoods, the increases won were far closer to the increases demanded than even the union expected. The Lewis settlement made it more difficult to resist wage demands.

Wage Negotiations of Public Concern

In former days this incident would have been looked upon with interest and some concern by business as a whole; but in general it would have been considered the private affair of the employers and employees concerned. This is no longer the case. This negotiation is not a private matter. It is a matter of public concern and must be defended from the viewpoint of public welfare if it is to be justified at all. That this is so is due to the great size and basic influence of the coal and steel industries involved, and to the inflationary contagion in wages and prices endemic in this long continued period of virtually full employment.

That the decision arrived at lay in the field of public as well as private policy appears to have been realized by the Corporation. At least, its chairman made a public statement in the nature of an apology for its action. Although he gave a number of excuses such as the special nature of the mining industry, his main defense was that the agreement ensured full operation and a continuing supply of steel to the industries of the nation. This argument demands our earnest attention, for it is true—fearfully and dangerously true.

If we are right in our conviction that full employment tends to end in inflation, and if the successful Lewis campaign is a large scale example of the working of this fateful economic tendency, then the parties to the negotiations failed, wittingly or unwittingly, in their duty to the nation.

The industry might have fought vigorously for less extreme terms. Better yet, it might have discussed the matter with John Lewis on broad grounds of public policy, affecting miners' interests as well as those of their employers. In default of obtaining more reasonable terms by these means, the problem might have been brought before the bar of public opinion, so that its true nature as a question of public policy was revealed. It could have been submitted to arbitration.

Neither of these courses was pursued. A complete surrender on major points was accomplished.

Having surrendered, the U. S. Steel Corporation raised its prices, as I have already stated, announcing that the increase was not connected with the coal settlement. This left the way clear for a further boost in the price of steel later on the basis of the increased cost of coal. Should the corporation have raised its prices? Prices should cover costs, including a normal profit rate, but in the public interest they should not be increased to include excessive profits or excessive depreciation. Full employment and stability are promoted by a high-wage, low-profit per unit economy. To implement full employment, the rate of depreciation and the rate of business profits need to be brought into relation with the requirements of continuing equilibrium in a dynamic society. This means a low-pricing policy.

Although the United States Steel Corporation is engaged in a number of different operations such as mining and shipping, its basic operation is the production of steel. Its most recent statement seems to indicate that during the first six months of 1946, costs for labor, material, and services for each ton of finished steel shipped amounted to $98.27. A four weeks' strike tended to make operations less efficient but profits for the period were $24,000,000 or about $1.32 per share of common stock. For the first six months of this year, these costs fell to $80.61 for each ton shipped, while profits after taxes were nearly tripled. At the same time, a policy of high depreciation was instituted, supposedly to reflect the present high replacement costs. Yet in July of this year, the price of steel was raised on the average $5 a ton.

Now it is dangerous for an outsider to pass judgment on the wisdom of these price rises. I myself hesitate to do so. There were without doubt inequalities in pricing left over from OPA controls. But I do know that the business which makes a price rise at this time is shovelling fuel onto the fires of inflation. Price setting as well as wage setting has become a public responsibility for our major industries.

Coal Settlement Like the Munich Pact

It is possible to draw an ominous parallel between this economic event of 1947 and a certain political event, of 1938—between the coal settlement and the Munich Pact with the Nazis. In both cases peace seemed to be of such supreme importance that almost everything else was sacrificed for it. If the peril of inflation under full employment is as alarming as it seems to be, the parallel holds. Peace has been purchased, but at too high a price to be repeated. It has been purchased at the price of mounting and uncontrolled inflation, which in the past has always ended in a precipitate and correspondingly deep depression. Such a depression would be a sad end to our hopes for maintained high employment, production and consumption.

Let us take another look at Munich. The appeasement and its immediately following events seemed like a great victory for Germany. But where are the Germans now? They suffered the worst fate of all. This Lewis appeasement cannot in the long run produce any benefits to the miners, if our analysis is correct. Some of them at least suspect this. The Associated Press in the "Washington Post" for July 9 reports one miner, soberly returning to work, as saying: "I hope these wage raises don't go out the window in the higher cost of pork chops. It's the best contract we ever had, but it's likely to hit us right in the breadbasket."

Three Possible Courses

Well, what shall we do? There would seem to be three courses open to us. As labor leaders or managers we can be shortsighted, look for the narrow advantage of our own particular group, as a result blow up our inflation into the ruins of depression. That is the course too many of us are following. It means abandoning our dream of maintaining high employment, production and consumption.

Another way is to re-introduce governmental controls of wages, prices and profits. This we endured under the necessities of total warfare. To resort to this remedy in peace times would be to abandon all we fought for and to surrender to a government controlled economy.

The third course is the hard one. It is to educate ourselves—all of us—to the fundamental requirements of our great adventure in the material well-being of our country and of all of its citizens. Sir William Beveridge wrote in his "Full Employment in a Free Society": "So long as freedom of collective bargaining is maintained, the primary responsibility for preventing a full employment policy from coming to grief in a vicious spiral of wages and prices will rest on those who control the bargaining on behalf of labor." This calls for the growth of a vital statesmanship in industry and organized labor, working together to save all, and to set all on the road of the destiny which may be ours.

Management and labor of no industry has the right to make an agreement without calculating its effects upon the rest of society. This alliance between industry and the miners has many of the effects of a cartel agreement, in that it disregards the good of the whole for the short run benefit of special groups. If such arrangements become general practice, the government will be forced to step in. If we are to escape such government control, it is necessary that both management and labor assume the responsibility of considering the welfare of the country at large. They must consider each act on the basis of its effect upon society if followed by all.

It is important to emphasize that it is to the advantage of management to exercise a restrained pricing policy. Run-away prices will not only hasten the coming of a depression but also greatly increase its severity. Moderate profits and prices now will tend to mean profits tomorrow. Charging what the market will bear can mean losses and bankruptcy in the future.

Are there other and easier courses which will lead to safety? Let the best minds of the nation address themselves to the critical problems—this modern riddle of the Sphinx—which we must answer or perish. In the words of Bruce Bairnsfather's immortal Old Bill, "If you know of a better 'ole, go to it."

This talk began with reference to this nation's two critical problems—our relations with Russia and the avoidance of inflation under full employment. Unfortunately the two problems are related. Uncle Joe is recalcitrant, because he counts confidently on our inability to solve the domestic problem. When we fail in that, we have lost out to Communism. Perched like a buzzard on a dry stub, he eyes with sardonic interest our floundering progress toward the quicksands.

Let's disappoint him.

What Chance for Private Investment in the Western Hemisphere?

(Continued from page 4)

border because of this history is a formidable one.

Let me stop at this point to say that it is, of course, an oversimplification to treat all our neighbors below the Rio Grande in one category; your economies are quite varied in character and potentialities—your problems, capacities and needs quite different. Broadly speaking, however, this may be said: viewed economically, you are much younger than we are—you are still in the fortunate position of being in your early teens — you are in the rapidly growing stage—you are where we were in the '70s—the growth of some of your cities in the last decade has been simply phenomenal. Your interest rates are high, as one would suspect—you are experiencing a tremendous demand for capital that can't be satisfied, a situation where the entrepreneur does not have much surplus to invest in securities either at home or abroad because his capital is all tied up in personally owned enterprises. In fact, he is probably a borrower even though he has a substantial equity; any surplus he would develop he would promptly plow back. Since so many of your enterprises are still privately owned, the number of corporations in each of your countries which by virtue of size and earnings could qualify for listing here is still relatively small—enough to make a start—but the important point is that it will be growing, and looking ahead, will be substantial. In the '70s we were borrowing from England and the Continent—they were the big exporters of capital. In 1870 there were less than 15,000,000 shares listed on the New York Stock Exchange, mostly railroads; today we have over 1,800,000,000 shares listed on the Big Board, while on the Curb, if one includes the shares with unlisted trading privileges, the total is over 650,000,000.

Expansion Ahead

All of this expansion and the transition from a frontier economy to a full-fledged industrial economy still lies before you. This is an exciting and challenging prospect which will occupy all your energies for the next few decades. You will go into this period with the benefit of our experience and that of Europe before you—you have the opportunity to profit by our mistakes—and they have been many—as well as our successes.

In the process of achieving these successes, the institution of the Stock Exchange played an integral part, for the Stock Exchange and the various agencies that go with it, that is to say the broker, the dealer, the investment banker, constitute the mechanism by which the life blood of the economy, i.e., the savings to be applied to new construction and investment, is made available to the body economic. The investment banking fraternity, with the affiliated network of dealers and brokers throughout the country, raises the money, and their ability to do so in the final analysis rests on the mere presence of a security market. Even an enviable record of a company whose securities are about to be offered would not be sufficient. The important consideration in the mind of the individual investor who is about to convert his savings into an investment in a new enterprise is the knowledge, often unexpressed, that he can sell on an exchange, if necessary, without restrictions as long as fair practices in dealings are observed; this furnishes the most powerful investment incentive that there is.

Indispensability of Security Markets

It is through this mechanism that new capital has constantly been added to that generated by business itself, giving industry the high concentration of machinery and horsepower per man which explain the enormous productivity of the American economy. The security markets thus constitute the very essence of the free enterprise system in addition to being the tangible symbol of the free market. Show me a country where inroads begin to be made on the exchanges either by some pressure group or by government itself, and you may be sure that liberty and personal freedom are in danger.

Once we abandon the principle of the free market—once we decide or concede that for one reason or another the market shall not be permitted to respond to the shifting tides of supply and demand, then we are saying that the dictum of some third party shall be substituted for the judgment of the market—then also trouble begins for any interference with the normal functioning of an exchange will distort prices and values with all the unforeseeable consequences that may ensue; in fact, the mere suggestion that there may be some rule or regulation to be issued at some future date restricting an investor's right to buy or sell freely is sufficient to disturb the balance of the market and set new forces in motion. Failure or unwillingness to eliminate the original cause, be it direct interference with the mechanism of the exchange or mismanagement of other phases of the economy usually results in efforts to at least banish the unwelcome market manifestations thereof.

History is full of all sorts of devices which have been tried to make markets follow a preconceived pattern or to prevent them from registering price advances or declines deemed undesirable. They have all been unsatisfactory, not to say failures, and moreover have not been good for the Stock Exchange business except possibly temporarily. During the inflation period after World War I, the European Exchanges usually under government pressure tried such devices as maximum fluctuations per day-limitations on purchase and sales orders per customer, mechanical apportionment of the amount of stock offered between the bidders at a fixed price even though the individual buyer got but a fraction of what he wanted; all without avail. There is no substitute for a free exchange market.

Principle Is Widely Valid

Nor do these observations have applicability merely to stock exchanges, the principles of the free market apply with equal force to foreign exchange markets, commodity markets, money markets —any market — in fact, if these other markets are not free, the Stock Exchange will be in trouble anyway because it constitutes such an integral part of the economy. The absence of a free market, that is to say the impingement upon the freedom to buy or to sell, always means that some agency and very often the government itself has decided that we may not exchange what we wish or trade on terms indicated by the supply and demand; rather, we must exchange on such terms and on such conditions as are prescribed by someone outside the market who may or may not have a speaking knowledge of the factors involved, and who is certainly not actuated by a desire to protect the buyer and seller in the market. The result is regulated barter of one description or another which functions more or less, but only because of the police power of the government, and here is where we begin to lose our personal liberties. Even well-meaning administrations committed to the philosophy of a planned economy presently discover that they cannot do so without a certain amount of compulsion; this compulsion grows as the problems become acute; they soon discover that the law of supply and demand remains unrepealed, and under such circumstnaces this usually manifests itself in some sort of a black market.

Here we lose another piece of our liberties, as the government attempts to stamp out the black market—the unwelcome result of its ineffective policies; a hypothetical scoundrel is created—this scoundrel, who deals in the black market, is a profiteer who must be fined, punished, or depending on the kind of a situation, we are looking at, exterminated; in the latter case, personal freedom has ceased to exist.

Nor is this loss of liberty the whole story—in fact, it is only the beginning of another; new forces have been set in motion by such interference with the freedom of the market, since under compulsion people do strange things; they do things they would not normally do; they may obey the technical letter of the edict, but they do not stop at that point, they try to anticipate the next move. If this happens to be in the field of prices, they will hoard, or they will use up all their ration coupons even if they don't need them, or they will sell them or they will buy other goods expected to be affected next, thus aggravating the very inflationary pressures such devices are intended to suppress.

Business finds it virtually impossible to plan under such conditions because it is completely in the dark as to what and where real consumers' demand and consumers' inventories are. In the field of currency, where most of these problems are, the public will circumvent quite legally the effort to prevent a flight of capital enforced by varying degrees of compulsion by making other and unforeseen uses of their money, which creates new problems for the administrator, requiring new control measures and further compulsions. Homo sapiens is a very ingenious animal; the number of permutations and combinations of things he may do or not do is infinite, and it is impossible to anticipate them administratively. Nevertheless, the number of functionaries required to administer the controls, issue the licenses and permits, fix prices, priorities and allocations, is of necessity progressively enlarged at the expense of the country's labor force and presently becomes more than the economy can carry.

Nor does it make much difference what the original theories or economic misconceptions are which initiated the trouble — the underlying principles are the same and the question of the impact on the security exchanges is only a matter of degree. The notion that the market ought to be controlled is after all a recurrent one and always means an unwillingness to admit that something is wrong, as for example when a government inflates the currency. When foreign exchange fluctuations become uncomfortable, they are abolished. Government bonds decline because of currency manipulation, so the market is pegged; security transactions are forbidden or government agencies used to make artificial supporting purchases or only a limited number of trades a day are permitted, or minimum price advances or declines per day decreed, or margins raised to 100%, and in a final desperate effort the market or exchange is padlocked. In Great Britain, the mother country of liberalism and free trade, the government closes the cotton exchange and takes over its functions. In Hitler Germany the government, being politically interested in maintaining the semblance of private property, did not close the exchanges, but defunctionized them completely. In Russia the exchanges were quite logically abolished because in an economic system where there is supposed to be no private property there is no place for an exchange—there is also no freedom. These are more recent examples, but all of this is part of the same business which in varying degrees has been witnessed time and again throughout history when markets have for one reason or another been usurped either by some monopoly pressure group or government itself. It comes down to an unwillingness to permit the thermometer, i.e. the market, to register the truth — hence the thermometer is destroyed.

When one stops to consider these things just in theory, not to mention the doleful practical examples which we have before us, one wonders how it is possible for a government that proceeds to make inroads on the freedom of the market ever to survive the public opposition that one would expect—for it must be abundantly clear by now that no government can possibly plan for all the contingencies as well as the manifold reactions thereto by a fluid population—and that no planned economy can possibly produce anything like the results of an economy enjoying free markets where there is a reward for individual initiative; least of all would you logically expect to find such notions in this country with its stupendous production successes and its high standard of living for the average man — yet even we here in the United States are certainly not immune in this respect; rather, we seem to be an exceptionally fertile field in which to germinate bizarre ideas. The history of the past fifteen years has been conspicuously productive in this regard. The political attack on the exchanges in the '30's has been as sweeping as any experienced in other countries. An exchange is always vulnerable in a depression particularly if it has not conducted its own affairs properly—this is particularly true of a highly dynamic and widely fluctuating economy like our own. It has been a constant battle in this kind of a climate to prevent the demagogue from persuading Congress to accept legislation which would have literally wrecked the machinery for translating savings into capital and making it available to commerce and industry. The struggle to make the ensuing laws workable has been a long one and a great many people have collaborated in it.

Tribute to President Schram

First and foremost credit must be given to the distinguished President of the New York Stock Exchange, Mr. Emil Schram. Under his leadership the continuing assaults upon the Exchange as an institution and the efforts to circumscribe the freedom of the market were finally met and the relations of the Exchange with the Securities & Exchange Commission brought to a workable basis, thanks to the enlightened policies of its present membership, Mr. Hanrahan. No man has done more than Mr. Schram to restore the public esteem in which the stock exchanges are held in this country, and to disabuse the public of the notion that there are such people as the mysterious "they," the Wall Street brokers, who are supposed to be making money at the expense of the public at all times. It is a big and never ending public relations job, as many of you here are aware from your own official experience. Last year, when our market broke, a representative in Congress was sure that the mysterious "they" in Wall Street had deliberately put the market down and demanded an investigation, so that steps might be taken and new laws enacted to control the situation. The SEC has just within the month completed a most exhaustive study of the character and timing of the buying and selling that took place during that break, on Sept. 3, 1946, completely vindicating the Exchange.

As might be expected, this past decade has also developed a tremendous literature in books, pamphlets, academic journals and popular magazines. The theoretical and technical side of the case was argued back and forth. It would carry me too far afield to cite names, so I will confine myself to just one, namely, the succinct and compact argument for the Exchange written for the Association of Stock Exchange Firms by my friend W. W. Cumberland, a partner of the eminent firm of Ladenburg, Thalman & Co. Probably no other single publication in this field received as wide circulation and was as important in strengthening the hand of the Exchange's proponents. I am sure that the Association will be glad to supply you copies if you have not already received them.

President Truslow an Able Champion

I should also like to pay tribute to one other champion of the Exchange as a vital institution, namely, Mr. Francis Adams Truslow, the President of the New York Curb Exchange. There has been no finer plea for freedom than that contained in his inaugural address last year.

I refer to these gentlemen and their contributions not only to record credit where credit is due, but also to indicate the kind of obstacles that you are likely to run into in persuading your respective countrymen of the benefits to be derived from re-establishing and maintaining free markets for commodities of all kinds in general and securities in particular.

Clearly your first objective should be to remove the restrictions largely born of the war on the free movement of capital—including securities both within your countries and between your country and other countries including our own; yet certainly no one at the moment is going to put any funds into another market which restricts the withdrawal of the interest, dividend or profit on such commitments to an arbitrary figure such as 5% per annum, not to mention the right to withdraw the principal put in except over a 5 or 10 year period.

We can do quite a number of things—you on your end—we at ours — these are the things we have been discussing all this week. We can look at international arbitrage. We can examine the problem of listing requirements about which Commissioner Hanrahan has just talked to you — we can see what can be done in the field of reciprocal taxation and see whether we cannot promote tax conventions along the lines already negotiated between the U. S. and several European governments. Work looking towards the adoption of some common standards in the way of disclosure laws would be useful and mutually advantageous. Also fruitful would

be a conscious effort on your part to apprise us directly and via suitable material forwarded to our journals and magazines, of new projects and the expansion of old ones that you are undertaking—your plans and your dreams in industry, agriculture and transportation.

The Most Important Need

However, I take it for granted that we are all agreed that the most pressing need of the day in our business is to eliminate the foreign exchange controls and remove the limitations on the movement of capital which are now making business in securities between us impossible. Obviously this is much more easily said than done, for there is much more involved here than the mere lifting of certain restrictions—trade conventions, taxation, government policies with respect to currency, prices, interest rates, to name but a few, are affected and will have to be modified, in some cases radically.

To be effective in achieving this objective you will accordingly find it necessary, as we have found it necessary, to take a direct and continuing interest in the general policies of your respective governments. You will find it necessary not only to state your case before the public, but also to work with government to achieve results, as experience has shown that it is generally impossible to get at these problems any other way. This is a large order. However, in these efforts you will not only have the history of the past hundred years, both here and abroad to point to; you also have the present plight of Europe before you, where the managed economy is clearly running into an impasse, and where the absolute necessity of reestablishing convertible currencies will all that this implies before any real improvement can be expected, is becoming all too obvious.

I have felt free to say all these things as we have sinned and suffered in these respects as much as anyone else. In fact I don't know of any country where the stock exchange and Wall Street is so conspicuously and as matter of habit and political tradition, the public's and politician's whipping boy. Those of you who were here last week had a concrete example on the front pages of the morning newspapers last Friday. So do not be discouraged by the obstacles. For the potential rewards are great.

U. S. the Reservoir

In the postwar era the center of gravity of international finance has clearly shifted, and the United States is the one and only great reservoir of capital formation. The demand for capital in the world today is stupendous. This includes the United States itself, for among other things our own capital consumption was, as might be expected, subnormal for practically the entire decade of the thirties. I refer you to the recent publication "American Needs & Resources" for some projections on this subject, and in fact suggest that all of you take a look at a copy before you go—I think you'll find it a most fascinating compendium. I know of no other single book that I might suggest that will give you a better picture of the tremendous economy that we here are living in. It is so big that we ourselves are apt to underestimate its scope and its energy; we have proceeded so far and so rapidly in expanding the machinery and power available per individual factory worker that the results are staggering and bewildering even to ourselves—the truth is that this is Utopia—we have achieved the unbelievable—that is, winning a war, contributing with our Western Hemisphere neighbors to feed the world, and at the same time raising the standard of living of our people and providing them with more leisure.

Now, most of your economies are also going to be seekers of capital for a long time to come. But particularly in the face of such a domestic demand you cannot hope to get your share; you cannot expect a satisfactory outflow of capital from us to you, unless you provide the prerequisites in the form of acceptable foreign exchange and trade policies and in the form of security mechanisms which inspire confidence.

The American Poker Chip Position

It may be argued that we have really no choice in these matters and that in the final analysis we must make loans and grants to aid in keeping our own industries operating at tolerable levels; this comes down to the old poker chip theory of the American position in international trade; this theory simply holds that Uncle Sam has such a preponderant position in the world's markets as both producer and consumer that in this poker game he is mathematically bound to have all the chips in but a few years, whereupon the game stops unless he sees fit to redistribute chips; this he did via buying back our own securities in World War I and subsequently by our $10,000,000,000 of War I loans—the private foreign loans followed in the '20s and when this went out with the 1929 crash, Uncle Sam redistributed chips again by revalving gold in the early '30s—our war and postwar loans, our lend-lease and UNRRA arrangement were our latest contributions in this respect. The Marshall Plan in one sense is the next device to accomplish the same purpose, nevertheless, I think it is questionable whether the U. S. Government will continue to be the chip distributing agency indefinitely, while there certainly will be great political pressure from the farmer and other special interests to continue lending or giving away our products as soon as there is any evidence of a major downtrend in the business cycle, the presumption is that at some point Congress will balk, because the taxpayer will no longer be willing to foot the bill; at any rate I am sure we are all agreed that the U. S. Government itself is not likely to continue as the chip dispenser on the present scale, if only because our domestic capital requirements over the next few years are going to be so large. Curiously enough, the notion is widely held that we have here in these United States a surplus of capital which needs only to be syphoned off, but it simply is not true rather, our natural interest in participating with you in the development of your manifold resources will of necessity have to compete with our own demands. The private capital function and private capital exports will once more come into their own, and it is to this day and this goal that we should look and bend our efforts, so that the mechanism will be ready and the way paved to proceed.

American capital has already taken a prominent part in the development of Latin America and I venture to hope that the present phase of desuetude in our securities and capital relations is only one of inanimate suspense and destined to be temporary. We here in the United States certainly recognize the enormous potentialities of the hemisphere and your very presence here is testimony to a desire to develop these in a common effort. As our President, Mr. Truman, said in his address at the closing session of the Inter-American Defense Conference at Petropolis, which provides a most favorable point of departure for the hopes and aspirations of this Conference:

"By the grace fo God and by our united armed efforts our countries have been saved from the destruction of war. Our economies are intact, our productive powers undiminished, our resources not even fully explored. In consequence our collective importance in the affairs of a distressed world has become immense."

In the New World, in the Western Hemisphere, after all, lies the hope of the future of humanity, a hope which we can only bring to fruition by long-term economic and financial collaboration. As the President went on to point out, this is a type of collaboration in which a much greater role falls to *private* citizens and *private* groups, that is most particularly the function of those here assembled, for in this respect the exchanges can perform yeoman service because they stand at the pivotal point in the economy, not only as a vital link in the machinery to disseminate capital, but also as the symbol of free enterprise. Certainly the Western Hemisphere can perform no greater service in the battle for freedom than to demonstrate that free markets do work.

Development of International Investment

(Continued from page 12)

making possible the easy evaluation and the entrance into or liquidation of investment, as need dictates. And as domestic capital accumulates and is directed to local endeavors, the exchange offers a medium for the repatriation of securities.

One of the purposes of the exchange and the capital market machinery in general should be to attract capital which otherwise might not be put to productive use. To overcome the reluctance of nationals to put their savings in industrial enterprises — their preference to let capital lie dormant or to use it solely for the acquisition of land (which seems reasonably permanent)—the exchange must establish greater confidence in domestic investments. This it can do in many ways. The exchange is a free association but only those should be permitted to associate who recognize their public responsibilities. By the immediate jurisdiction of the exchange over its members it should assure that securities are issued and quoted which pertain to companies of intrinsic worth and solvency. To stimulate the widest distribution of ownership of assets, the exchange can encourage the division of stocks so that units in small denominations are available for purchase. The enforcement of full and candid disclosure in prospectuses is part of the public responsibility of the exchange.

Need of Uniform Accounting Standards

One of the significant contributions which this conference can make to encourage a greater flow of capital between countries is for those from various countries to work together to set up uniform standards of accounting so that the foreign and the local investor will read and understand the same things when they inspect the component elements of a balance sheet. Assets, income, profit should be terms of art, clearly defined, part of an unambiguous international economic language. Not only accounting but other elements of corporate organization should be unequivocally stated—proxy practices, voting privileges and the like. We have overcome the barriers of language differences in our friendly association this evening. We must do so in business association as well.

In the United States it is not only by the operation of the exchanges themselves but by Federal statute that the interest of the private investor is protected. Although there was some initial reluctance to recognize the Federal Government's role as overseer of the capital market, I think it is generally agreed that the requirements set by government statute and administered by a government commission have created greater confidence and goodwill which redound to the common benefit of the broker, the investor and the economy at large.

The stock exchange is clearly not the sole instrument for stimulating investment. Other financial institutions are a necessary adjunct. As leaders in the business community, the members of the exchange can work together for the further development of local institutions which encourage and actively use domestic savings. We have today the anomalous situation that many countries which are urgently in need of enterprise capital, find, among their nationals who have substantial savings, a preference for foreign securities.

It is certainly not my intention to decry foreign investment, but every endeavor should be made to employ such capital at home where the need is urgent. The risks are greater but so, too, are the returns. If local capital is not freely forthcoming—at least to pay the local currency expenses of enterprise—then the aspirations of governments for greater industrialization may require them to make capital available either by taxation or by forced savings through the printing press and inflation. And this is likely to transfer the decision as to the use and application of capital from the criteria of the economic world, to those of the political. Where there is a need for capital from abroad the combination of local and foreign capital in partnership offers the best hope for harmonious economic development in the interests of the importing as well as the investing community.

In the process of economic development there should be no invidious distinctions between domestic and foreign capital. Capital has a contribution to make regardless of its origin, but if it is to expect security and remuneration it must not seek special privileges.

Need for U. S. Investment Abroad

The need for U. S. investment abroad is greater than ever and the opportunities many. Nevertheless, we all know that the climate for international private investment is not now as favorable as it was in the 19th century and in the early years of this century. This is not because foreign capital has no constructive role to play. Our own country like our good neighbor Canada was developed with the aid of foreign capital. Nor is it simple xenophobia. As engineers and technicians we are more than welcome; our skills are eagerly sought; but as businessmen, as entrepreneurs, we are often not so welcome. Sometimes we feel that at the same moment that our capital is sought, every obstacle is being put in the way of its use on a fair and equitable basis.

The reasons are many and complex but among the most significant is the feeling, too often based on bitter experience, that the foreign investor is an exploiter and not a contributor, that he has no interest in the local welfare, that his allegiance is solely to a distant stockholder, that he wants the highest returns in the shortest period of time and then he will withdraw and the enterprise or the wasting of natural assets will go with him.

This is not the kind of international investment we are interested in promoting. If we are to break down the barriers to the free flow of private capital we must recognize that investment is a two-way street. It is to the advantage of the investor to develop enterprises which not only assure a direct return but also further a balanced economy in the country involved. Constructive investment is not a quick-in and quick-out proposition. Investors should put their capital to work abroad over a long period. There will be ups and downs which the investors must make reasonable arrangements to accommodate.

In our own country, corporations are increasingly aware of their responsibility to provide the greatest possible stability of employment and fair and progressive treatment of workers. The same sense of public concern must characterize foreign investments. Investors cannot expect to overcome the spirit of narrow nationalism that would bar their entry or expropriate their assets if they retain the psychology of absentee landlords.

Compliance With Domestic Laws

It goes without saying that investors must comply in spirit as well as in letter with the domestic laws of the countries in which they operate, that they must scrupulously refrain from any action that might be regarded as interference in the political life of the country or the subversion of public officials. What are malpractices at home are no less malpractices abroad. Foreign capital working in association with local capital, promoting local skills, interested in the local needs of the local community, and respecting the national integrity of the country of investment, will find that, in the broad as in the narrow sense, it pays bigger dividends.

The local community, in turn, has reciprocal obligations to the foreign investor. While the foreign investor cannot expect and should not seek special privilege, he can expect and should receive relative equality of treatment in business and tax matters with that accorded local capital. He can expect and should enjoy the same protection of his person and property as that enjoyed by nationals, the same access to courts and capacity to enter into contracts. He can expect and should enjoy reasonable remuneration for the risks of his enterprise, and certainty that he will receive just compensation if his assets are transferred to national ownership. Reasons of national security and welfare may, in certain circumstances, require limitations on the participation of foreign capital in local enterprise. But discrimination against foreign capital solely because it is foreign serves only to diminish world trade, employment, and well-being.

Capital is only one of the factors in the process of economic development but it is a highly mobile factor and more readily traverses national boundaries. The great advances in economic well-being made since the Industrial Revolution are the result of the application of technological discoveries made possible and effective by the use of capital. Private citizens and groups, such as yours, have both a singular opportunity and an obligation further to stimulate the growth, dissemination and constructive application of capital in the economic process. If we make it our common effort, we can add one more stone to the building of a better world.

Banking Developments Indicate a Boom

(Continued from page 2)

ume of business being transacted was comparatively high even in 1941. At that time some further expansion in the volume of business could therefore take place without a corresponding expansion in the private demand for bank credit. Purchases which normally bulk large with rising incomes (automobiles, new houses, new plants and equipment) could not be made because these items were not available; and traditionally these items have given rise to a considerable volume of bank borrowing. Furthermore, a good deal of the necessary funds for increased war production were financed by more or less direct advances of the government.

The war saw a tremendous accumulation of liquid assets. For corporations, holdings of these assets rose from $22 billion in 1940 to $93 billion by mid-1946, an expansion of $71 billion. Individuals did about as well. Their holdings of $49 billion metamorphosed into an aggregate of $152 billion by June 1946.

The rapid expansion of bank loans which began in the middle of 1946 came therefore as something of a surprise. After the prewar decade when private demand for credit was mild, and the war period when loans declined, we suddenly found ourselves in the midst of a period in which bank loans rose by one-third in 1946, most of which occurred in the final half of the year. It is by no means clear that we have yet properly assessed the full significance of this rapid loan expansion. Yet there is nothing magic or mysterious about it.

A period of rising business activity such as this produces four general conditions which create a substantial demand for bank credit. First, prices are rising rapidly. Working capital, which might be sufficient when prices are lower, quickly becomes inadequate as prices begin to rise. More money is needed to transact the business.

Few will doubt that prices have been galloping upward. Some prices have set higher altitude records than others, but the so-called general price level has done well enough. The wholesale price index, for example, had remained comparatively steady from 1942 to the first half of 1946. Not so since then. In fact, this index rose more during the last seven months of 1946 than during the entire period of the war.

It was inevitable that the working capital of many businesses, adequate for a period of comparatively stable prices, was not adequate for a period when prices were rising at an annual rate of 30-40% or more per year. More working capital was required, and bank credit supplied a substantial proportion of it.

Second, during a period of rapidly rising business activity many firms find their sales and production rising more rapidly than receipts because of a substantial rise in accounts receivable. They find themselves in the position of temporarily financing their customers' added purchases. For example, receivables of all U. S. corporations during the final three quarters of 1946 increased by roughly $7 billion. Some of this is offset by a corresponding increase on the other side of the ledger in accounts payable. But it does not cancel out for many firms, and they must often borrow to cover this lag of cash receipts behind sales and operating expenses.

The third development in 1946 which gave rise to a heavy demand for bank credit was the very rapid rise in the value of business inventories. During the latter part of the year merchandise was going into stocks at the rate of $5.4 billion per year, although during the first half of 1947 the rate had declined by approximately half.

Some part of this inventory expansion has been financed by bank credit, although it is difficult to know how much. A loan may be secured by inventory because that is the most readily usable collateral, even though the proceeds of the loan are not for inventory accumulation. On the other hand, an unsecured loan, or a loan secured by bonds or plant and equipment, may be an inventory loan in the sense that the funds will be used to expand inventories. In many cases a business may be generally short of working capital and forced to borrow. It is quite probable, therefore that loans explicitly reported as inventory loans understate considerably the volume of bank credit used to expand inventories.

On the basis of a recent survey, loans actually reported as inventory loans represented 10% of all business loans made by our Northwest member banks, although a larger proportion of new lending was for inventory financing.

These data are moderately reassuring. Inventory loans apparently do not represent an excessive proportion of business borrowing from banks in this area. On the other hand, it is well to remember that roughly half of all business loans are unsecured. An unknown but possibly substantial part of these unsecured loans is also to carry inventory. And some of the loans secured by other collateral, for example U. S. Government securities, may be for inventory purposes.

With this in mind, most banks have kept a very watchful eye on the inventory position of their borrowing customers—realizing that prudence and restraint now may later save headaches for them as well as sticky inventories and possible losses for their borrowers. For that reason the inventory picture looks somewhat less ominous today than it did about the turn of the year.

Fourth, many businesses have invested substantial sums of money in constructing new buildings, extensive alterations of existing ones, and the purchase of new equipment. As a matter of fact, American business last year spent in the neighborhood of $17 billion on new plant and equipment; this year the corresponding figure will be in the neighborhood of $25 billion.

While this is in a sense fixed capital, some part of it has been financed by bank credit. Banks have lent money directly, often through some type of amortized loans. This undoubtedly helps to explain the substantial amount of term business loans made by banks, loans with a maturity period in excess of one year.

Much of this expansion appears to have been justified. Needed repairs and replacements could not be made during the war, and a bulge of expenditures for this purpose following the war was to be expected. Many firms, furthermore, could justify considerable expansion on the basis of the postwar markets confronting them.

On the other hand, it cannot be denied that some of the expansion may prove to have been unwise. It has always developed in other business booms that many, particularly small and untried firms, have overexpanded their capacity, betting on an improbable continuation of temporarily inflated boom markets. The ensuing readjustment to a less affluent economy has then created difficult problems for their creditors as well as themselves.

Riskless Days Are Over

These data spell out the plain truth that the days of riskless banking, if they ever existed, are fading rapidly from the picture. Loans have been rising rapidly. Holdings of shorter-term securities have been declining. Readily liquid assets, by the end of the war over 42% of total assets, have declined to 29%. And this has occurred in the space of 18 months.

Bank Earnings Reflect Loan Rise

One result of this shift out of readily liquid assets has been some further rise in bank earnings even though the deposit volume has declined (because of the use of war-loan balances for cash redemption of the debt). From year-end 1945 to mid-1947 member bank deposits nationally declined 9%. At the same time current earnings of member banks increased from $2.1 billion in 1945 to $2.4 billion in 1946, a rise of 15%. This was of course largely the result of the shift out of low-yielding liquid assets and into the higher-yielding less liquid assets (loans, longer-term government securities, and miscellaneous investments). In spite of the rise in current earnings, net profits after taxes of member banks nationally declined in 1946 (for the Ninth District they just held even). This was of course the result of two developments. First, net recoveries and charge-offs declined 50%, from $220 million in 1945 to $109 million in 1946. It is not inappropriate to remember that this item, which accounted for 20% of profits before taxes in 19[illegible] and 10% in 1946, is inevitably temporary. Experience has demonstrated that over the long pull losses and charge-offs exceed recoveries and securities profits by a considerable margin. During the 20-year period ending in 1941 gross recoveries and bond profits for all member banks nationally were $4.5; losses and charge-offs $8.3 billion. Any evaluation of future bank earnings prospects should be made with this experience in mind.

Second, operating costs have been rising recently somewhat more rapidly than earnings. And it is not unreasonable to expect that the period ahead may be one in which costs may continue to rise more rapidly than earnings, with consequent pressure on net profits.

These developments suggest the distinct possibility that the profitability of bank operations has already reached its crest unless there should be a further material inflation of bank credit. If the peak has been reached, it is highly probable that the relationship between earnings of capital invested in banks and in other types of businesses may be less biased in favor of the former than was generally considered probable some time ago.

Banking Prospects and Price Inflation

The really stiff question posed by my subject is one which is perennially of concern to bankers, but the current shift into risk assets has accented its pertinence. That question, of course, is: What of the economic situation and the economic outlook generally? This is subject matter for a whole separate session, but we can scarcely dodge it altogether in any analysis of what lies ahead for banking.

It is reasonably clear by now that the inflationary forces in the economy have been persistently under- estimated.

National income expressed in dollars has been rising so persistently that broken records are scarcely news. Our gross national product in the second quarter, the last for which data are available, was running at the annual rate of $226 billion. This is perceptibly above the war peak of $221 billion achieved exactly two years earlier and considerably more than double the $100 billion of 1940.

The wholesale price index, after declining almost imperceptibly for eight consecutive weeks following March 29 (from 149.4 to 146.9) began rising again and by mid-August had reached 152.7—a considerable part of the rise being explained by the rapidly rising trend of food prices and prices of farm products. This is 22% above July, 1946, when price controls were abandoned, and 94% above 1940. The latter figure means that we are now within a few percentage points of a price level double that of the immediate prewar years.

That this is a disturbing development few would deny. That we have a very real stake in minimizing the excesses of the boom seems almost self-evident. Quite apart from the hardships forced upon a very substantial proportion of the population whose incomes have risen more slowly than the price level, such an inflationary upsurge in prices is almost inevitably bound to create for us in the years ahead some very intractable economic difficulties. The problems posed by a recession are to no small extent difficult in proportion to the excesses of the previous boom. There is, moreover, some reason to think that rising costs during this period will not be so easily worked out of the economic system when readjustments to less buoyant conditions become necessary.

The basic reason for this rapidly rising price level can, of course be simply stated. The demands in the market backed up by purchasing power are substantially in excess of our current ability to produce. There are several reasons.

First, there is the widely advertised export demand. In May this year we sold abroad $1,408 million of U. S. merchandise, the peak month so far. This was at an annual rate of $17 billion per year, a figure that compares very impressively with $4 billion in 1940 or slightly over $5 billion in 1929.

During the same month (May) we imported from abroad $473 million, an annual rate of less than $6 billion. Therefore by May of this year we had an excess of exports over imports, a net export surplus, running at an annual rate of $11 billion per year. This was unquestionably inflationary. Incomes were being paid out (at an annual rate) in the production of $11 billion of goods which could not be bought by consumers because the merchandise was being sent overseas. It had the same inflationary effect as paying people to produce war goods which could not, of course, be purchased with the income received. In each case the purchasing power paid out was all dressed up and with no place to go.

Recently there has been widespread discussion about the probability of a recession if this net export surplus should disappear or shrink markedly through a decline in exports. The question has become all the more pertinent with the 11% decline in exports from May to June and the further 7% decline in July, declines at least in part reflecting the minatorial dollar shortage crisis abroad

Now there can apparently be little doubt about the gravity of the dollar-shortage crisis. Nor can it be denied that an abrupt shrinkage in exports would have a depressing effect on our domestic price level. The evaporation of the $10 to $12 billion dollar market, which our net export surplus represented at the peak, is not a trivial matter even for a $225 billion economy, particularly if it comes so suddenly as to preclude orderly readjustments.

On the other hand, there is grave danger of too exclusive emphasis on the extent to which our currently large exports are solely responsible for the present inflationary situation. It seems not to be generally realized that the ratio of exports to our total gross national product so far in 1947 (first seven months) is materially below 1919 or 1920 and approximately equal to 1921, though both exports and gross national product dropped sharply in 1921. If our exports currently were *relatively* as large as in 1920 they would be running at an annual rate nearer to $22 billion rather than the $14 billion annual rate for the first seven months of 1947, or even the $17 billion annual rate achieved in the peak month of May. Even our net export surplus so far in 1947 has represented a smaller proportion of total gross national product than 1919, though somewhat larger than in 1920.

RATIO OF U. S. FOREIGN TRADE TO GROSS NATIONAL PRODUCT

Year—	Mdse. Exports as Pct. of GNP	Net Export Surplus as Pct. of GNP
1919	9.8%	5.0%
1920	9.4	3.4
1921	6.4	2.8
1946	4.8	2.4
1947*	6.6	4.1

*Annual rates based on first seven months of 1947.

As a matter of fact, if prewar relationships are any indication, a reasonable export volume currently would be roughly $10 to $11 billion. It was $5 billion in the late twenties or roughly 5% of gross national product. Even with the rapid growth of trade restrictions in the thirties, exports averaged 4% of gross national product in the better years of the decade. The current $14-$17 billion export volume must therefore be compared with a "normal" export volume of perhaps $11 billion, given current rates of business activity.

In agriculture the export market is, of course, relatively more important than for the economy as a whole. A lot of unpredictable things can still happen in 1947. But current estimates suggest that when the 1947 figures are added up, agricultural exports will have reached or exceeded the $4 billion mark, about 14% of total cash farm income. This figure is roughly 15% above 1946, eight times 1940, and more than double the $1.9 billion of 1928, one of the better years of the late twenties.

Even in the case of agricultural exports, however, comparisons with other years are illuminating. The 14% of agricultural marketings currently being exported is a smaller proportion than prevailed in 1928, when exports accounted for 17% of cash farm income.

Yet one cannot escape the feeling that current attention given to our foreign trade is not entirely misplaced. If exports are not so grossly out of line, where is the trouble? It is not difficult to locate.

Inflationary pressures arising from our foreign trade are arising currently less out of abnormally large exports than from an abnormally low volume of imports.

At the time exports reached their peak in May at a $17 billion annual rate, imports were running at a rate of only $5.5 billion. A reasonable amount of imports, given our current volume of business, would be nearer $9 billion, perhaps slightly more.

Nowhere is this better illustrated than in the case of food prices. The part that our substantial food exports have played in high food prices is generally recognized. We sometimes forget, however, that we normally import substantial amounts of food, much of which is not currently available. For example, meat imports normally equal about 9% of our federally inspected slaughter. Currently they are negligible. The price which the consumer pays for meat is therefore correspondingly higher.

Since the thing that creates pressure on prices is not the size of exports but their excess over imports, we would do well to focus more attention on ways to enlarge imports if we wish to minimize inflationary pressures from foreign trade.

Temporarily our appallingly low level of imports is undeniably

to be explained to no small extent by the simple fact that the foreign goods are not there to buy. But a close observation of the events of the last year in this country gives one the uncomfortable feeling that our imports may continue to be uneconomically low even after foreign production recovers. If so, consumers will continue to pay higher prices and some otherwise profitable exports will be choked off (important among them wheat, cotton, and lard).

Domestic Demand Is Also Excessive

These data at least suggest the possibility that our current inflationary pressures are arising to a greater extent from domestic demand than has been generally recognized. It is not ineluctably certain that an extension of foreign relief will continue to underwrite the present price level; nor is it certain that a decline of exports of some magnitude would precipitate a major depression, although it cannot be denied that abrupt changes which give no time for readjustment could well create disproportionate disturbances.

Large as the net export surplus is, the major inflationary forces still arise out of the domestic segments of the economy. Both businesses and individuals have been attempting to spend on balance more than their aggregate receipts. All things considered they have consistently since the end of the war planned a volume of expenditures in excess of receipts or income. Since income measures exactly the value of current production, any attempt on the part of individuals and businesses to spend in excess of receipts means demand in excess of production and therefore rising prices.

In the second quarter of 1947 retained earnings and depreciation and other reserves of private businesses were running at an annual rate of $15 billion. But at the same time private business was spending on plant and equipment and inventory increases at an annual rate of $29 billion, thus running a deficit on investment account of $14 billion.

Individuals on balance were saving by mid-1947 at the annual rate of $11 billion. It is well to remember, however, that not all of these funds are available for outside investment. The purchase of houses, for example, is also saving although it also constitutes a demand on productive capacity.

And it is well to remember that one consumer in four even in 1946 was spending beyond his income (disposing of liquid assets or going into debt). These "dissavers" disposed of about $10 billion of liquid assets in 1946, using about 60% of the proceeds for living expenses and the acquisition of durable goods and the remaining 40% to purchase houses and other types of investment.

It is not improbable that even currently this consumer "deficit-spending" is an added inflationary potential roughly equal to the much-discussed export surplus.

With this tendency on the part of both businesses and many consumers to use their credit or liquid assets to supplement their rate of spending, one or both of two results was inevitable. This net excess of demand would either call forth additional production or raise prices. With production at or near existing capacity levels, particularly for hard goods with a war-legacy of deferred demand, any tendency and any policy which made possible an acceleration in the rate of spending or the availability of purchasing power is bound to be reflected primarily in rising prices. That such has occurred is a matter of record—and painful, common experience.

And during the immediate future two further developments will create further upward pressure on prices. First, the cashing in of terminal leave bonds adds just that much to the already excessive volume of purchasing power. Second, the forthcoming elimination of restrictions on consumer credit will tend further to broaden the market for many scarce items—at a time when demand is excessive.

In view of these developments, it is almost surprising that prices have not risen even more rapidly. For that we apparently have to thank in part one powerful check on our otherwise excessive demands. That is the current $13-billion-per-year "income" surplus of all units of government. This is not the same thing as a budgetary surplus. Rather it measures the difference between the amount of goods and services which governmental units require from current production on the one hand and on the other hand the amount of funds removed from the income stream through taxation and other nontax payments to government. Currently the latter is exceeding the former at an annual rate of somewhat over $13 billion.

It is this $13.4 billion governmental income surplus plus the $11.1 billion net savings of individuals which has offset the net excess of exports over imports of $10.6 billion and the net deficit of private business on investment account of $13.9 billion. A balance sheet of these deficits and surpluses for the second quarter of 1947 would look something like this (in billions):

		Surplus	Deficit
Personal disposable incomes	$170.1		
Consumption expenditures	159.0		
Net savings or surplus		$11.1	
Undistributed corporate profits and other reserves	$14.9		
Gross business investment	28.8		
Net deficit			$13.9
Net excess of exports over imports			10.6
Government receipts	$55.7		
Government expenditures	42.3		
Net surplus or savings		13.4	
Total		$24.5	$24.5

Source—"Survey of Current Business," August, 1947, p. 4. All figures at annual rates.

It seems apparent that if this extra $13 billion of purchasing power, or any substantial part of it, were made available to consumers and businesses (primarily through tax reduction) the principal result would be further price increases. Since we are currently producing at capacity, it is obvious that consumers in the aggregate could not greatly increase their real standard of living. If on the other hand, this reserve of purchasing power can be released when demand falls short of our productive capacity, it can contribute substantially to softening the recession. If released prematurely, it will merely drive prices higher during the current boom and thereby accentuate the subsequent decline. If this should occur, it is by no means certain that this recession would be of the comparatively mild and harmless variety so frequently predicted earlier this year.

Conclusions

It is time now to pull together the separate threads of our comments on "What's Ahead for Banking" and see what we have.

First, there has occurred in recent months a rise in the relative importance of risk assets of banks. This has stemmed from a decline in the shorter-maturity securities and a rapid increase in bank loans.

Second, the loan expansion has resulted from characteristic boom developments: expanding inventories; outlays on plant and equipment; swelling receivables; additional consumer borrowing, and a generally rising price level. While much of the additional bank credit appears to have been justified by the need for business expansion, it has always developed in previous booms that some borrowing businesses have not been able to adjust to less affluent conditions.

Third, this shift into riskier assets accents the banker's interest in the current price inflation. This inflationary pressure arises out of both abnormally large foreign and domestic demands. There is some evidence that the role of the export demand in the current boom has recently been overemphasized. Relative to our gross national product exports are materially below 1920. With a $225 to $230 billion gross national product, our "normal" exports would be only about $3 to $4 billion below the current level. The major inflationary pressures from our foreign trade therefore arise more out of an abnormally low volume of imports than from abnormally huge exports.

Fourth, it seems probable that more of the recent price inflation is to be explained by domestic demand and supply relationships than has been generally realized. Both businesses and a substantial proportion of consumers are spending beyond receipts, a condition that spells rising prices when production cannot be expanded. The boom will end when this propensity to spend beyond receipts (by using liquid assets or going into debt) ceases, but it is no more possible now than it has ever been in the past to predict scientifically its timing.

Recognizing this, bankers generally have pursued very prudent lending and investment policies, with due regard for the long-run outlook. In so doing, banks have aided materially in financing much sound and necessary business expansion.

However, there seems to be little reason to think that now, any more than in 1920 or 1929, bank loans on too thin a margin or made to finance excessive inventories or imprudent expansion of plant and equipment will not create subsequent problems for both the banks and the borrower.

Such earning assets acquired during the boom will—in the cold, grey light of a price decline—neither be earning nor assets.

Bonds of Buenos Aires Drawn for Redemption

Holders of Province of Buenos Aires, Argentine Republic, 4¾-4⅜% External Readjustment Sinking Fund Dollar Bonds of 1935, due April, 1976, are being notified that all of these bonds presently outstanding will be redeemed through the sinking fund on Oct. 1, 1947, at 100%. Redemption will be made at the head office of the National City Bank of New York, or at the principal trust office of the Chase National Bank of the City of New York.

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Foreign Issuers Cannot By-Pass SEC

(Continued from page 14)

States, to offer reasonable assurance of an adequate auction market in the shares on the Exchange, that the securities would be deemed eligible for listing.

Assuming that the issuer can clear these hurdles and other pertinent exchange requirements, it should then consider the provisions of the Exchange Act. This Act complements the provisions of the Securities Act and was adopted to prevent unfair, manipulative and fraudulent practices in connection with trading in securities both on exchanges and in the over-the-counter market. It was also designed to prevent the excessive use of credit in security trading and to provide truthful and adequate information concerning securities listed and traded on exchanges.

Exchanges Must Register

Under the Act all national securities exchanges are required to register with the Commission and to comply with certain rules and regulations adopted by the Commission.

The Act further provides that no securities may be admitted to trading on an exchange in the United States unless a listing application in prescribed form has been filed by the issuer with the exchange in question, unless duplicates of the application have been filed with the Commission, and the exchange has approved the security for listing and registration. This application for registration provides extensive information about the issuer, its business, finances, management and organization.

It should be noted that any issuer, except an investment company, which has filed a registration statement under the Securities Act and which has no securities listed and registered on any exchange, may, if the registration statement has become effective, file an application for listing. This consists of a copy of the Securities Act statement, a description of the securities being registered and the facing sheet of the appropriate form with required signatures.

Registration under this Act usually becomes effective automatically 30 days after certification of its approval by the exchange. The Commission has no power to prevent the listing and registration of a security so certified, except where the registration statement or some act of the issuer fails to conform to the Act or rule of the Commission adopted under it. The responsibility for determining whether to admit a security to listing rests with the exchange, but the application must contain such information as the Commission may require as necessary or appropriate in the public interest or for the protection of investors.

Forms for Foreign Issues

To assist foreign issuers in this registration procedure the Commission has adopted a few prescribed forms, namely, 19 through 21, and 19K through 21K, which are to be used in connection with initial listing and registration and the submission of annual reports to keep the information on file up to date.

For the purposes of this Act, nationals of North American countries and Cuba are not considered foreign issuers; consequently, as to these issuers Forms 10 and 10K would be applicable.

Foreign issuers filing applications for registration on Forms 18, 19, 20 and 21, because of their special character and circumstances, are exempted from certain requirements of the Act to which all other registrants are subject. For example: they are not required to file current reports revealing the occurrence of certain events in the corporation between the filing of annual reports; the listed securities are exempted from the requirements of the proxy rules and from the operation of Section 16 of the Act. Section 16(a) requires that officers, directors and certain beneficial owners of listed securities must file reports of transactions in equity securities of the issuer; section 16(b) subjects short-swing profits in equity securities of the issuer, realized by such persons within any six-month period, to recapture by the issuer, and section 16(c) interdicts certain short sales of the issuer's equity securities.

Summary

Several things are apparent from this cursory review. First, it has been extremely sketchy. Refinements of concepts and the delineation of details have been impracticable without specific examples. Perhaps I can in some measure make up for this lack by impressing on everyone that our doors are open for conferences and study of problems presented by foreign issuers.

Secondly, it is apparent that the Acts administered by the Commission penetrate into many details of financial recording and financial presentation by companies and into important aspects of the conduct of their managements and large security holders. To what extent these provisions can be enforced in respect of various kinds of foreign securities cannot be determined without a wholesale survey of the problem. Only a detailed analysis of particular problems, in the light of the purposes of the law, can help us reach informed judgments.

The free international movement of credit is a worthwhile ideal. It is not, however, an end in itself. To be a genuine basis for international cooperation it must justify itself as a paying proposition. Our government has made many decisions to facilitate such cooperation. However, we should not ask our investors to place their savings in foreign enterprises while relaxing or waiving any of the standards of our Acts which are their fortress of protection. The standards which I have outlined are not, and have not been, barriers to the conduct of honest business—national or international. Quite to the contrary, they are essential predicates to what every securities market needs in order to survive, and enjoy public confidence. On the maintenance of that confidence depends the continued success of our organized exchanges as trading places for all investments, domestic and foreign. Preservation of that confidence must be a guiding principle not only to the Commission but to those who manage our great market places.

Cyrus J. Lawrence to Admit H. K. Halligan

Howard K. Halligan will be admitted to partnership in Cyrus J. Lawrence & Sons, 115 Broadway, New York City, members of the New York Stock Exchange, on Oct. 2. Mr. Halligan has been associated with the firm since 1946. Prior thereto he was President of General Gas & Electric Corp.

Laird, Bissell to Admit Newcombe C. Baker

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, will admit Newcombe C. Baker to partnership in the firm as of today.

As We See It

(Continued from first page)

need of taking queer preventive measures are prevalent. Henry Wallace takes great pains to tell the American people not to forget for a moment that he sees this country today in the hands of the "capitalistic reactionaries"; that he "knows" that capitalistic reaction inevitably destroys itself; and that unless "progressive" elements succeed in forcing a broad change in policy a depression which he describes as a "lulu," or (sic!) the "granddaddy of them all" can be expected with the first change of wind. The political motivation of all this talk is too obvious to need description.

Leon Henderson

Then there is Leon Henderson, a quondam noise-maker in one of the Roosevelt regimes. Mr. Henderson has a vocabulary reminiscent of General Johnson. What he sees ahead is not a depression, even a "lulu" or some sort of a "granddaddy," but a plain simple "bust." It need only be added that Mr. Henderson was speaking in his capacity as Chairman of the Executive Committee of the Board of "Americans for Democratic Action," and that one of his associates was none other than Paul Porter, another former chief of the discredited OPA of other years, while another was Wilson Wyatt, National Chairman of the "Americans for Democratic Action," and former Housing Expediter. The New Dealish tinge of this organization and of those joining Mr. Henderson in this recent outpouring is clear enough.

Of course, Mr. Stalin would say, if he has not indeed already said it, that it makes little difference—except possibly in the timing — whether "reaction" is in the saddle in such a government as ours, or whether Mr. Wallace himself were at the head of the nation. The point, according to his philosophy, is that in either case the nation is not and would not be communistic in the Russian sense. So long as this is true, his reasoning runs, a depression is as certain as anything in this world can be. It is not easy to know to what extent this supposedly Marxian doctrine and to what degree Lord Keynes and his followers are responsible for the following that the calamity howlers appear to be able to attract in this country. Perhaps it is mostly a nightmare-like recollection of the 1929 depression, which was bad enough in its own right, but which was substantially prolonged by the New Deal nonsense ostensibly designed to end it.

At any rate, predictions of this sort are not wholly ineffective political weapons. They have served several purposes of the sort quite adequately. It would be difficult to know precisely how seriously the rank and file of the voters of the nation still take them, but for those who want higher wages, shorter hours, larger subsidies, greater outpourings of our wealth in Europe, and a number of other policies of a like sort, they are always a handy weapon. Without much doubt they have served the unions well during the past year or two. It is certainly not inconceivable that they will be of great use to the farmer during the next year or two.

Stuff and Nonsense

Of course, all this is stuff and nonsense. Depressions from time to time there always have been since modern industry got under way. They doubtless will appear in due course in the future. It would be a great thing if we knew how to prevent them, or to mitigate their severity—other than by encouraging careful and prudent management of individual enterprises rather than to do all that is possible to tempt the individual businessman into unsound ventures and discourage him from assuming normal risks. But the modern business mechanism is complex and at many points is not well understood. He who would give the impression that he knows just what "mistakes" to avoid and precisely what courses to follow to banish depressions is simply deceiving himself or his followers. At any rate, even at the bottom of depressions in this country we have always been infinitely better off than have such peoples as the Russians even in good times.

But the basic nonsense of most of these theories is, perhaps, best demonstrated by the remedies suggested by those who hold them. Of course, the British who feel that we must give them largely and apparently more or less indefinitely of the produce of our energy may be largely ignored. We have yet to hear of any Britisher who believed that his country and his fellow-subjects would best seek their own welfare by shipping large quantities of British produce to other and less well-situated peoples gratis. The Britishers who reason in this way about our goods are obviously not "disinterested."

Prosperity and Profligacy

But what of our own wiseacres? Well, they certainly suggest a strange assortment of steps to remedy the situation about which they complain. Some of them join with the British—and it is surprising enough that many of those of whom one would expect better things are to be found in this category—in the idea that we must export to remain prosperous—that is, export even if we are not paid for what we ship abroad. One sometimes wonders if they are not by implication saying that it is better not to get paid. This notion is on the whole the one held most strongly in relatively conservative circles. From it the so-called Marshall Plan gains many of its adherents. The same is true also of the so-called Marshall Gap plans.

But there are many other uses for the idea. As already indicated labor has been making extensive use of it for a good while past. It would be a little difficult to say precisely what Mr. Wallace would do to prevent this approaching "lulu" or "granddaddy." One suspects his course of action would not differ too greatly from that offered by Mr. Henderson and his associates who apparently are skeptical of European aid as a cure-all. They want to reinstate all the controls and what not of the war period.

This has become a strange world in which we live.

The Market Significance of Low Price-Earnings Ratios

(Continued from first page)

types of clothing have doubled. New "low priced" automobiles (if you are lucky enough to get one) cost about \$1,650, compared with around \$950 to \$1,000 before the war. If you need a new six-room house, the chances are that you will have to pay \$15,000 to \$18,000 for the same home you could have bought for \$7,000 to \$9,000 in 1939. The buying power of the dollar has depreciated everywhere except in the stock market.

When any startling fact is repeated often enough, it ceases to be challenging. That is one reason why low price-earnings ratios have been signally ineffective as sales arguments in the hands of brokers and market letter writers. The fact that a stock is selling at three times or five times earnings does not interest investors enough to make them act. The time has arrived, therefore, to discuss the all-important phenomena of low stock prices and low price-earnings ratios in language other than that of the salesman.

The Available Data

In any abstract attempt to measure the cheapness of stocks in relation to earnings, the usual approach is to compute price-earnings ratios against the Dow-Jones Industrials. Articles of this kind already have appeared in the "Commercial & Financial Chronicle."

There is a fairly wide range of estimates as to probable 1947 earnings on the Dow. Some think the final figure will exceed \$20, and others think it will be around \$19. Accepting the lower estimate, the Dow-Jones Industrials, at 171, would be selling at nine times earnings. Probably earnings will be a little over \$19, so nine times earnings is about right with the Dow at 176.

Going back over the record, and accepting figures used by Benjamin Graham in the "Commercial & Financial Chronicle" on Oct. 18, 1945, this is the lowest price-earnings ratio prevailing at any time since 1925. At that time, the Dow sold at 8½ times earnings when at their low for the year. The ratio has been higher than 9 times at some time in every year since 1919, and lower than 9 times in only five of the past 30 years.

The Dow-Jones Industrials, since 1926, have been above 10 times earnings all of the time in every year but three. For a short time in 1937 the ratio declined to 9.9 times; right after Pearl Harbor in 1941 it got down to 9.3 times; and at the bottom of the 1942 bear market it was 9.4 times. More than half of the time in the past twenty years the ratio, at sometime during the calendar period, has exceeded 16 times.

The prevailing 9 times earnings ratio is even more startling when placed in juxtaposition against interest rates. There ought to be some connection between interest and price-earnings ratios. The current yield on AAA bonds is computed by Standard & Poor's at approximately 2½%, which compares with an average of approximately 5% in 1917, a high of 6.40% in 1920, and an average of 5.07% as late as 1924.

A Recent Study

Too many investors assume that all stocks sell at about the same price-earnings ratio. Actually, there is a wide variation in the appraisal the stock market places on earnings of different companies. This is true even in the case of public utility operating companies, perhaps the most homogeneous group of equities.

A recent study of the price-earnings ratios of 360 representative stocks shows that more than half currently sell for less than 7 times earnings and that only 92 sell for 10 times earnings or more.

Stocks representing the washing machine industry, textiles, paper manufacturing, steel production and machinery currently are obtainable for the most part at 6 times earnings or less. The average public utility operating stock sells at about 11.7 times earnings, and the average oil stock at about 7.2 times.

Logical Differentials

There is less "happenstance" about price-earnings ratios than the lack of standardization suggested by the above data would lead one to believe. American Rolling Mill and Youngstown Sheet & Tube, U. S. Rubber and Goodyear, Bethlehem Steel and U. S. Steel, Food Fair and American Stores, Southern Railway and Southern Pacific, Continental Oil and Union Oil of California, Standard Oil of New Jersey and Texas Company, Amerada and Sun Oil, Monsanto Chemical and Johns Manville, Union Carbide & Carbon and International Business Machines all are "paired" at just about the same price-earnings ratio. There are seven steel stocks which sell between 3 times and 3.9 times earnings, 18 oil stocks sell between 6 times and 7.9 times earnings, 19 steels sell at between 3 times and 5.9 times earnings, and 31 out of 64 public utility operating company issues are appraised at between 9 times and 12.9 times currently indicated per share profits.

Apparently investors have thought out what they regard as a proper appraisal for earnings of varying quality. Currently prevailing price-earnings ratios, in other words, are the result of months of subtle, quiet thinking rather than the product of a recent market upheaval. There has been no real "upheaval" in the market for almost a year.

Some Theories

The old idea was that an industrial common stock should sell at about 10 times earnings. Where it originated, and how it became generally accepted, is a matter on which historians of analytical techniques disagree. The most commonly accepted idea, however, is that in those less emotional, more stable and more comfortable times before World War I, it was assumed that a stock should yield 6% when a company paid out 60% of its earnings in dividends and returned 40% of profits to the business, which was supposed to be good corporate practice.

Certainly the 6% yield idea is obsolete because of changed interest rates; and careful research shows that there is no such a thing as a general practice of paying out 60% of earnings in dividends. During the past 10 or 12 years a large number of established companies paid out 60% to 100% of profits to stockholders. The old 10-times-earnings theory is a "dead duck."

More recently, serious analysts have spun fine theories around the idea that the price-earnings ratio on industrial shares moves inversely with the Federal Reserve Board Index of Production. They contend that investors will pay more for a dollar's worth of earnings in a poor business period than in a year of high industrial activity; and thus point out that the highest price-earnings ratios usually appear in bear markets and the lowest price-earnings ratios often occur near the top of a bull market.

In the past 33 years very low to quite low price-earnings ratios prevailed in bull market years like 1916, 1919, 1924, 1925, 1926 and 1937. In 1946, the average price-earnings ratio was lower than in 1943, 1944 or 1945. Likewise, very high price-earnings ratios prevailed in bear market years like 1920, 1930, 1931 and 1938. This theory obviously has some merit.

Non-Recurrent Earnings Theory

It is closely related with the theory of non-recurrent earnings, so widely discussed in popular market literature during the last half of 1946 and the first half of 1947. This theory would divide the earnings of any company into two parts, the current and non-recurrent, and value the recurrent or dependable earnings at a rather high multiple, and appraise the non-recurrent part at an exceedingly low multiple. For instance, if the XYZ Corporation has an average earning power of \$4.00 per share per annum and currently is earning \$20 a share, the \$4.00 of earnings might be worth a multiple of 10, or \$40, whereas the other \$16 of earnings might be worth a multiple of 2, or \$32, making the stock worth 72, which would be 3.6 times current earnings.

This reasoning was applied, often subconsciously, to high steel and copper company earnings in 1916 and 1917. In those years market analysts constantly com-

plained that stock prices did not reflect earnings. Conservative analysts used this line of thought as an argument against purchasing the shares of department stores and distilling companies in the first half of 1946. Whether or not they are right, a great many investors think that the present period of high earnings is decidedly abnormal and that stocks right now ought not to sell at "conventional" price-earnings ratios. It is interesting to note, however, that the possibly even more non-recurrent nature of farm prosperity has not prevented a much higher market, relatively, for farm lands and ranch properties. Can it be that the investor in common stocks is a more logical animal than the investor in real estate?

The Matter of Risks

It is a very short step from the theory of non-recurrent earnings to the theory of abnormal risks. In effect, it is almost impossible to separate the two. As Dr. Nadler recently said, "Americans are prosperous but worried."

The United States is an island of prosperity and wealth in a world of depression and woe. Our prosperity and wealth not only exposes us to the jealousies and antagonisms of other peoples, but even invites military attack. Furthermore, there is a cold war of ideologies in progress which might flare up into a hot war. Capitalism is on the defensive. Socialism and Communism are on the march.

The national climate is one of risks rather than stability even in the domestic area. The wage-price spiral still is in operation but it can't go on forever. There is a maladjustment between farm incomes and industrial incomes. The inability of foreigners to pay for the things they want already is leading to a sharp decline in exports. Most other national inflations have been followed by a period of deflation, and the idea that the United States must deflate eventually is widely held. In short, price-earnings ratios vary inversely with risks. The risks are obvious, so price-earnings ratios are low.

Technical Market Factors

There are at least two depressing influences operating within the market itself. Foreign countries are so short of dollar exchange that they are finding it necessary to sell their investments in American securities in order to obtain money with which to buy food, clothing and machinery. This leads to a constant dribble, and sometimes a stream, of overseas liquidation in our market.

The second factor is high margin requirements. The American stock market is unable to absorb as large a volume of selling on a cash basis as it would be able to absorb if brokers were permitted to extend credit to buyers. The situation in the stock market is about the same as the condition in the real estate market would be if no one were able to buy a new home on credit. Fewer new homes would be sold. Fewer stocks are being sold.

The inability of stock brokers to lend more than 25% on the cost of securities purchased by clients unquestionably has resulted in the flow of money into other types of investment. Chicago brokers frankly say that they have done an excellent business in commodities and a poor business in stocks. People with money find a commitment in real estate, farm lands or ranches more attractive than commitments in stocks, partly because they can obtain liberal credit on the purchase of these competing investments.

Ordinarily we think of high margin requirements on stocks as influencing only the volume of trading in them. Actually this artificial credit stringency has a marked effect on the prices at which stocks sell. It is one of the outstanding factors which makes the securities business a depressed industry at a time when almost every other business in the United States is exceedingly prosperous.

WHERE STOCKS SELL IN RELATION TO EARNINGS
(Summary of Position of 360 Selected Issues as of Aug. 29, 1947)

No. of Issues	Price-Earnings Ratio Group Times Earnings	Types of Stock Predominating In the Group
23	Under 3	Textiles, Washers, Papers, Steels
30	3 to 3.9	Steels, Papers
50	4 to 4.9	Motors and Parts, Machinery, Steels, Papers and Rails
36	5 to 5.9	Motors and Parts, Steels, Machinery, Building Supplies
40	6 to 6.9	Oils, Steels, Rails, Foods, Machinery
34	7 to 7.9	Oils, Motors and Parts
26	8 to 8.9	Foods, Oils, Building Supplies, Electrical Equipments
27	9 to 9.9	Utilities, Oils, Motors, Chemicals, Drugs
20	10 to 10.9	Foods, Drugs, Oils
8	11 to 11.9	Utilities, "Growth" Stocks
14	12 to 12.9	Utilities, "Blue Chips"
14	13 to 13.9	Utilities, Chemicals, "Blue Chips"
10	14 to 14.9	Utilities, "Blue Chips," Drugs
18	15 or More	Utilities, Chemicals, "Growtn Stocks," "Blue Chips"
360		

Price-Earnings Ratio on "The Dow"

	D-J Inds. *Earned	Dow-Jones Industrials High	Low	Price-Earnings Ratio At High	At Low	D-J Inds. Paid	Percentage of Earnings Paid Out in Dividends
1915	$10.59	99.20	54.22	9.4	5.1	$2.20	20.8%
1916	18.62	110.15	84.96	5.9	4.6	4.27	22.9
1917	21.90	99.18	65.95	4.5	3.0	5.63	25.7
1918	16.18	89.07	73.38	5.5	4.5	5.64	34.8
1919	13.77	118.92	79.15	8 6	5.8	4.07	29.6
1920	6.74	109.88	66.75	16.3	9.9	3.44	51.0
1921	---	81.50	63.90	---	---	2.96	---
1922	8.20	103.43	78.59	12.6	9.6	3.38	41.2
1923	11.38	105.38	85.76	9.3	7.5	3.94	34.7
1924	10.52	120.51	88.33	11.9	8.4	4.27	40.5
1925	13.54	159.39	115.00	11.8	8.5	4.17	30.8
1926	14.44	166.64	135.20	11.5	9.4	6.35	43.9
1927	13.18	202.40	152.73	14.6	11.1	5.54	42.0
1928	15.36	300.00	191.33	19.5	12.5	5.92	38.5
1929	19.31	381.17	198.69	19.7	11.0	7.06	36.6
1930	10.06	294.07	157.51	29.4	15.7	7.44	73.9
1931	2.68	194.36	73.79	72.5	27.5	6.73	251.0
1932	0.31	88.78	41.22	‡	‡	4.09	‡
1933	2.57	108.67	50.16	42.3	19.5	3.03	117.9
1934	4.68	110.74	85.51	25.1	18.3	3.28	70.0
1935	6.78	148.47	96.71	21.9	14.3	4.12	60.8
1936	9.98	184.90	143.11	18.5	14.3	7.07	70.9
1937	11.41	194.40	113.64	17.0	9.9	8.15	71.4
1938	6.09	158.41	98.95	26.1	16.3	4.84	79.6
1939	9.33	155.92	121.44	16.7	13.0	6.30	67.5
1940	10.88	152.80	111.84	14.0	10.3	7.05	65.0
1941	11.46	133.59	106.34	11.6	9.3	7.50	65.5
1942	9.92	120.19	92.69	12.1	9.4	6.50	65.5
1943	9.74	146.46	118.84	15.0	12.2	6.50	66.8
1944	10.07	153.00	134.10	15.2	13.4	6.57	65.3
1945	10.50	196.59	150.53	18.7	14.3	6.69	63.6
1946	13.60	213.36	161.61	15.7	11.9	7.50	55.1
1947	19.28	†186.85	†161.38	9.7	8.4	**8.28	††42.6

*Figures for 1915-1944, inclusive, are those used by Benjamin Graham in "Commercial & Financial Chronicle" article of Oct. 18, 1944; those of Anthony Gaubis for 1945 and 1946; and of Barron's as an estimate of 1947.

†Range for first 8½ months of 1947.

‡Not computed.

**200% of payments for first half of 1947.

††Based on first half figues.

Not So Black As It Looks

The stock market often is wrong, and it is most often wrong when too many people believe the same thing. What has been said thus far about non-recurrent earnings, the business and political risks of our time, the threat of deflation and recession, and even foreign liquidation, represents widely held popular opinion and a philosophy which has been extant for at least a year.

The investment community has been thinking about the same things for a long time. It has gone a long way toward adjusting prices to them. Certainly the point has been reached where there is no longer any surprise element in most of the bearish factors enumerated. They still may be a drag on the price structure, but the shock element has gone out of them.

Earnings And The Dollar

Earnings may not be as non-recurrent as they look. The key factor in the earnings outlook, in my opinion, is the future value of the dollar in terms of goods, commodities and services. If the dollar is going back to a point where it will buy as much food, clothing and shelter as it did in 1939, earnings must decline sharply; but if the purchasing power of the dollar suffered permanent injury as the result of its wartime abuse, the decline in earnings will not be anything like as much as most people fear.

This dollar of ours, it should not be forgotten, still is the best currency in the world; and prices in this country are infinitely lower, in terms of a day's work than they are in any other country in the world. The dollar, even at present high food prices, is much less inflated than the British pound, the French franc, the Dutch guilder, the Japanese yen, and certainly much less inflated than the Russian ruble. Oliver Gingold, just back from England, says a dollar here buys about as much as a pound in London.

There still is a domestic, as well as a world scarcity of the things people want and are accustomed to having. All of the troubles of Europe are scarcity troubles, not the result of over-production. There is still plenty of work for everyone to do.

Anyone who thinks that labor rates are going down as easily as they went up certainly has a poor idea of American psychology and of the history of wages, even before the days of powerful trade and industry-wide unions. To be sure, we will not always have 60 million people employed; but such a figure probably represents over-employment and 55 million might not represent under-employment.

Most investors and investment analysts have not thought through the investment implications of a permanently higher plateau of wages and prices. As I see it, the dollar has been so impaired and wage rates have been so increased that it is impossible to go back to prewar price levels.

In a democracy like the one we have in America, no program of deflation can be carried to its logical conclusion; the public will revolt much earlier than they did in 1931-34. Furthermore, the government is charged with the responsibility of servicing the national debt and making progress toward paying it off. The national debt never can be serviced and reduced except through the use of dollars which are worth less in buying power than the dollars that the government borrowed.

Profits and Prices

If general prices are to remain on a permanently higher plateau, not necessarily as high as the present level, a few things are axiomatic. First, it means larger sales, at any level of industrial activity, for every corporation. That, assuming conventional profit margins, means higher earnings; earnings in harmony with the price level. For example, the earnings of retail companies will not go back to 1939 levels unless prices go back to 1939 levels. The earnings of automobile companies, in dollars, will be higher if the Ford, Chevrolet and Plymouth type of car retails for $1,500 than if it retails for $950.

Second, a higher plateau of prices means a permanently higher level of wages and salaries and therefore a higher level of national income. National income will not go back to prewar standards.

Third, while present stock prices do not reflect prospective replacement costs of physical properties or the permanently depreciated value of the dollar, equity values eventually must reflect this phenomenon. Plant and machinery won't last forever. They will have to be replaced.

So far as the present deplorable state of affairs in Europe is concerned, this is the normal and expected aftermath of the war. The real situation, which was hidden by our unwarranted optimism for the first 18 months after V-E Day, now is out in the open. Its maximum impact on investment sentiment probably is being felt, or will be felt in the months immediately ahead.

If we are to lose a large amount of export business as a result of the inability of those who want our goods and commodities to pay for them, it must be remembered that, for the present at least, little of this loss will be in the area of food and fuel, two highly important employment industries.

Moreover, any reduction in aid to Europe must be compensated for by an increase in the armament expenditures of the United States. If we are unwilling to continue to fight Russian expansion in a cold war, we must be prepared (at least) to fight it in a hot war. Preparedness expenditures are scheduled to increase, and business ordinarily does not go into a tailspin when a nation has a comprehensive armament program.

Danger of Over-Acceptance

It is always well to be suspicious of any theory about the market when it becomes too generally accepted. We have reached the point where most of the pessimistic ideas outlined in the first half of this article have become generally accepted. There is no longer any surprise element, therefore, in the bear case. That part of it which is true may continue to be a drag on the market, but it hardly can be expected to have the influence of a shock. The market ordinarily does not respond as much to what has been expected (and partially discounted) as it does to what has not been expected. The present mien of investors is to accept unfavorable factors as routine and regard favorable factors as a surprise.

So far as I can see, there is no sound basis on which to build an argument that stocks are likely to reenter a bull market in the immediate future. Low price-earnings ratios and high yields are not likely to disappear overnight, and when they do disappear it is entirely possible that earnings may be lower with stock prices higher.

It is much more logical to anticipate a longer period in which it is difficult to tell whether we are in a bull market or in a bear market, than to look for prices to go significantly below the bottoms already reached, or to rise sufficiently to establish the existence of a new "Dow Theory" bull market.

From all that has been said, it must be concluded that either earnings are too high or stocks are too low. Probably both statements are accurate. The present time, in my opinion, is a period in which stocks should be accumulated; but I don't think there is any hurry about it. There should be plenty of time to buy leisurely and thoughtfully.

Clinton T. McCreedy Is Now With Atwill & Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—Clinton T. McCreedy has become associated with Atwill & Co., 605 Lincoln Road. He was formerly in charge of the Miami office of John Nuveen & Co.

Clinton T. McCreedy

Ralph W. Hergel With Wilson, Johnson Firm

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Ralph W. Herget has become associated with Wilson, Johnson Higgins, 300 Montgomery Street. He was formerly with Denault & Co. and prior thereto was Manager of the investment analysis department of First California Co. and was San Francisco Manager for Geo. H. Grant & Co.

W. W. Bouden, Jr., Is With Randolph Newman

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—W. Wallace Bouden, Jr., has become associated with Randolph Newman & Co., Carondelet Building. He was formerly in the sales department of Weil & Arnold and prior thereto was Manager of the corporate bond department for Levy & Rooney, Inc.

World-Wide Planning in the Frying Pan

(Continued from first page)

stead of well above. The parities themselves, i.e., industrial prices, might be lower, too, than they are.

As to the "oppressive" terms: the loan was sold to the American public with the official argument that it is the price we pay for restoring multilateral trade. Then, the British spent over $2 billions of the American loan (plus $750 millions of the Canadian) by July 1 of this year, at which time their Cabinet still believed that the convertibility of sterling would be met without difficulty. And we consented to "liberalizing" the terms as soon as we were asked.

In reality, leaving aside the deeply disturbing Soviet policies, the dollar crisis highlights the plight of economic planning that sweeps the western world, planning which results in over-burdening each economy with reduced labor productivity, growing inflationary pains and consequent bottlenecks, devastating taxation and red tape, overvalued exchange rates for national currencies and strait-jackets for international trade. Not a lack of plans, but a plethora of conflicting schemes is the greatest source of confusion, the British Minister of Health allocating the same materials for constructions as the Board of Trade earmarks for export industries. Also, internal inflation syphons much of the industrial output from the export markets. Worst of all is the influence of pressure groups, trade unions in particular, ruthlessly exploiting the planning ideology for their selfish aim: to earn more and more for less and less work.

The failure of sterling conversion documented what should have been known in advance: that British money no longer commands any confidence. (It is quoted at a 40% discount against the Swiss franc, in spite of all attempts to embargo its outflow) Most other currencies are in worse shape. This is not a mere sequel to the physical devastations and monetary inflations of the war. What brings about progressive deterioration in Western Europe rather than even a slow pace of progress, is the fact that the first two years of "peace" have been mismanaged under a false optimism. The opportunity to put the world on its feet has been bungled, and near-chaos ensues, which cannot be cured by renewed doses of "austerity." Cutting Britain's imports by $900 millions will be of little avail if the lowering of living standards results in a loss of productivity and of exports.

The fundamental idea underlying postwar planning in virtually every country was that by the summer of 1947, at the latest, the United States would be plunged into a deep depression, prices breaking, unemployment rampant, etc. Most governments were guided by the idea that capitalism necessarily digs its own grave by producing more than it can sell. It runs into short booms and long depressions. A crisis of plenty was to come after World War II as it did after World War I. Whether Marxian or Keynesian, or a confused mixture of both, this misconception provided a tune to which all planners throughout the world did their dancing.

Remember the 6 to 8 millions unemployed officially announced by Washington for the spring of —1946? Or the argument of Messrs. Truman and Wallace for higher wages to safeguard the purchasing power of the masses in the forthcoming depression? What they accomplished was to speed up the vicious wage-price spiral. To provide export outlets against the evil day also served as rationalization in favor of our postwar "generosity" Giving away $20 billions "doesn't cost anything," said Undersecretary Clayton only a year ago.

British planning, operating on this forecast, implied three things:

First, American prices will break and, therefore, Britain will be able to buy American goods cheaply. A "little" American loan of $3.75 billions will go a long way: it was expected to last three to four years. (It has been exhausted in thirteen months, except for $400 millions now "frozen.")

Second, capitalism in America will produce unsalable surpluses of food, raw materials, and everything, which gladly will be given away, leased, lent, or what have you. No serious dollar shortage could arise, none beyond the International Fund's and Bank's capacity to cope with. That is why British officials were still optimistic at the eleventh hour, and did nothing to meet the impending sterling convertibility.

Third, to guarantee her domestic full employment, Britain's economy must be isolated by all means against the impact of the forthcoming American depression. Socialism and Statism are justified by this phony fear of an American depression.

One cannot understand the crisis in Britain, the waste of the American loan and of other resources, the mire into which that country has sunk, unless one keeps in mind the assumption on which the Labor Government has operated for two years. The assumption of an American depression was implied in Lord Keynes' prediction of 1946 (published posthumously in the "Economic Journal") that there will be no postwar dollar scarcity. It permitted labor to go along the primrose path, to reduce working hours, spend on unessential imports, neglect essential reconstruction, put business in strait-jackets, but refrain from unpopular measures of labor-control, expand capital on magnificient public works, and to proceed with long-run plans of Utopia, income equalization, womb-to-tomb security, "fiddling with nationalization while Rome burns."

Why worry, if a depression-plagued America will deliver the goods anyway?

The same attitude prevailed in official France and elsewhere. Why do the French hang on to an artificial exchange rate for the franc, more than double its actual market value? For one thing, they expected American prices to collapse, taking with them the French price level. So, they could proceed with printing money, expecting at the same time to hold the franc at the artificial par—eating their monetary cake and preserving exchange stability, too. Indeed, if the American depression had occurred, French prices would not have risen as they did, and their balance of payments would not suffer from franc-overvaluation, which is a major factor in the catastrophe now facing France.

Another illustration: last January, Socialist Premier Blum tried to talk prices into voluntary self-reduction at the rate of 5% at a time, an attempt doomed to failure, as Mr. Truman also found out by experience. Both Blum and Truman, naive as they may be in economic matters, know that prices are not determined by politicians' speeches. They tried to play magicians, persuaded by Marxian and Keynesian "experts" that falling prices are around the American corner anyway.

The two years since the war have seen the first experiment in world-wide financial forecasting, with one idea as the common premise. It is an expensive lesson showing that, while individuals' mistakes in prognostication may offset one another, when a government does the economic planning there is no correction or balancing possible. But we are doing more of the same. International miscalculation of the American business cycle has brought down an economic hornets' nest. Now, the Marshall Plan suggests that instead of abandoning the authoritarian approach, the road to ruin, Europe do its planning on an even bigger and broader collective scale.

Incidentally, the 1924-31 "planning" of an eternal boom, by the New York Federal Reserve and the Bank of England, is the nearest historical parallel to the international experiment of '45-'47, if on a much narrower scale. Even so, its distending impact—by way of manipulated interest rates and the inflationary gold exchange standard — was largely responsible for the world's greatest depression.

The damage done to the world in missing the immediate postwar opportunity for stabilization is irreparable. The time to enforce a reasonable peace was while our armies were over there. Instead of starting immediately on reorganizing Germany, we did our best to destroy systematically her productive capacity, trying to starve her into democracy. The chance for an early budget balancing and exchange stabilization in Europe, while the psychological and material conditions were favorable, was squandered. We have permitted Europe to draw recklessly on America's resources, instead of making dollars available only on the condition that the recipient use them to put his house in order. All this bungling was based on the theory that America can and will produce the excess of goods for everybody, with no inflation strings attached.

Now, it is out of the question that we could continue indefinitely an export surplus at the annual rate of some $12 billions, as in the first half of this year. It is a self-defeating process: the more goods we give away, the higher our prices, and the less the outer world can buy. That is the essence of this unique financial calamity: dollar shortage abroad plus the fact that fresh dollars can be provided only sparingly if prices in this country should be kept from skyrocketing. (About one-half of the outer world's remaining "liquid" reserves of some $25 billions, and of $10 billions in residual credit lines, still is at the disposal of eight Western European nations.) It will be very difficult, under such circumstances, to avoid or even to postpone a European catastrophy.

II.

What will be the direct domestic effect, in the near future? The "soft money" countries of five continents will have to use all devices—including new devaluations, such as of the French franc —to sell more in the "hard money" areas, especially in the U. S. They will try to attract American capital from non-governmental sources, which is available for ventures in Arab states and some Latin American countries, but scarcely beyond. (Besides, the State Department discourages American investments in Europe.) And, of course, they will resort, as they now do, to the crudest methods of reducing imports payable in "cash" cutting each other's throats in the process.

In short, our imports may rise some—they are slipping lately—while our exports should decline substantially. In the new crop year, this could not affect greatly the most sensitive field, that of farm products, other than tobacco, (The Government will support the tobacco farmers as it supports the wool growers. In cotton, only a moderate exportable surplus is in prospect.) Food the world must buy, cost what it may. The American consumer cannot expect much relief on that vital score. As a matter of fact, wheat export quotas will have to be revised if the price should not rise above $3 a bushel.

Actually, our exports seem to decline since May. In the industrial field, this "slump" will not be felt seriously where it is most needed: in coal, steel, agricultural implements, automobiles, fertilizers, box-cars, even tools and machinery, which constitute the bulk. We now export 10% of the steel and about 7% of the coal output; that much would be absorbed by domestic consumers like drops of rain by a heat-scorched land. It is in the vast expanse of non-essentials, "from flat-irons to chewing gum," that the export shrinkage may hurt. Hundreds of industrial items, with films, radios and other "luxuries" the outstanding examples, will lose markets for the time being.

The prospect of export shrinkage now plays the same role in generating fresh fears of a domestic recession as the expectation of a let-down in inventory buying did last winter. Indeed, hundreds of firms may have to adjust themselves to reduced sales abroad. But how much altogether is at stake? The total reduction of our export surplus could scarcely amount to more than $4 to $6 billions within the next 12 months, some 2 or 3% of a gross national production that is rising, incidentally, at a 10% annual rate or faster.

In other words, a slight acceleration of consumer spending would suffice to offset the export decline, and to adjust the economy to it. The cashing of soldiers' leave-bonds (about $2 billions) plus the elimination of the last shackles on consumer credit, by Nov. 1, may turn the trick. Declining per-man industrial output (by some 10% in the coal mines since mid-summer) also might help to keep prices up. More than seasonal rise in construction activity, as in August, is another item to the same effect.

Individual losses will occur, of course, but employment and prices could not be affected more than they were hit by the "reaction" of last April and May. Even that is doubtful in an economy with an overgrown and expanding monetary base, and a backlog of industrial capital need alone, estimated —by Professor Slichter, whatever such figures are worth — at between $43 and $75 billions (at present prices). If depression-psychology gets the upperhand again, it is likely to last even shorter than it did last spring.

An economy that was able to absorb within two years or so, the shock of the world's greatest deflation—from an annual budget deficit of over $50 billions to a probable budgetary surplus of almost $10 billions — surely could take a revision of its commodity exports from the fantastic annual rate of last May ($15.2 billions) close to the still extraordinary level of last year ($9.74 billions). To stop the slow but relentless price spiral would take a man-made and thorough-going deflation of the unwieldly money potential. Where is the Politician who would as much as suggest anything of the kind?

Social Security and Its Tax Potentialities

(Continued from page 14)

January will probably include the following:

(1) Permanent financing of Old-Age and Survivors' insurance program.

(2) Extension of coverage in the OASI and Unemployment Compensation.

(3) Further liberalization of benefits.

(4) Temporary and permanent disability benefits.

(5) Compulsory health and medical care.

Adversely, Congress defeated the President's Reorganization Plan No. 2 of 1947, which proposed to transfer the U. S. Employment Services to the Department of Labor permanently. As a result, the USES will be returned to the Federal Security Agency and coordinated with the administration of unemployment insurance.

Judging from the recommendations of the Social Security Administration, most of which are receiving very favorable consideration by the present powers in Washington, the 81st Congress promises to be extremely productive in social legislation. This prediction is made in view of the fact that there are now over 100 social security bills ready for discussion and the year 1948 with its forthcoming Presidential election will form a particularly ideal background for discussions of this nature in order to exercise political pressure.

Recommendations of the Social Security Board include establishment of "comprehensive basic national system of contributory social insurance covering all major risks to economic independence and all workers and their dependents threatened by such risks. The program would include insurance against wage loss in periods of disability and against costs of medical care, for which no general provision now exists in the United States, as well as old-age and survivors' insurance and unemployment insurance with benefits related to past earnings and with provision for additional benefits for dependents. It would be designed to close existing gaps in the coverage of both persons and risks to remove present inequities in the protection of workers and the financial burdens of employers and to provide a consistent relationship among insurance provisions for the various risks and between provisions of the basic system and of supplementary special systems for particular groups. As compared with separate programs to meet particular risks, such a system would reduce administrative cost and reporting burdens and simplify arrangements as they affect workers, employers and public agencies.

A comprehensive program of public assistance, on a Federal-State basis, under which payments and services financed from Federal and State funds would be available to any needy person in the United States, irrespective of the reason for need or the place of residence. The Federal financial contribution to such a program should be designed to remove the great disparities now existing in the treatment of persons who are in like circumstances, but live in different parts of the country. It should also be deigned to remove serious present inequities in the relative burdens borne by States and localities in financing public assistance."

Federalization of Program

If the above program is accepted as presented, it will mean a complete federalization of the entire Social Security program, including unemployment compensation, and will, without any question, spell doom for any Experience Rating system in unemployment insurance laws.

With reference to disability insurance, there are only two States who have legislation providing benefits for this type of risk—Rhode Island and California. California's disability compensation

act provided for benefit payments commencing Dec. 1, 1946; it is proposed to be financed entirely from a 1% tax levied on the payroll of employees now being withheld from their wages. As yet, we do not have any experience recorded on the California Experiment. However, Rhode Island's legislation, which was passed in 1942 and diverts 1% of the 1½% employee tax to finance disability compensation, gives us a four-year experience record which so far has not been too favorable. Rhode Island has experienced a deficit consistently after the first year and has, therefore, been compelled to divert the remaining ½% of the State unemployment tax paid by the worker from the unemployment fund to the cash sickness fund for a period of two years, beginning July 1, 1946.

Both States have tied up their sickness insurance program with unemployment compensation and paid disability benefits to the workers covered by unemployment insurance law for limited duration. These two States are among the few which collect employee contributions to help finance the unemployment program.

Unfortunately, I do not have the time to anayze the merits and demerits of either of these plans, but there is one principle that I would like to comment upon briefly. It would seem that the recognition of the inherent difference of these two types of risks, unemployment compensation and sickness, would make a separate administration seem essential for the success of any sickness plan. In other words, an independent claim administration with direct employer interest as a requisite, would assure sound application and minimize the unlawful collection of benefits.

This opinion is supported by Dr. Carl W. Strow, Assistant Director of Research of the Research Council for Economic Security, in his analysis of "State plans" for disability compensation" — "as an insurable risk, disability differs from other hazards. It is both industrial and personal in nature. Disability is difficult to define and determine as a matter of fact. Its existence and certification are influenced by moral and human nature traits; for instance, experience of compensation plans shows how the rate of recorded disability rises upon the prospects of compensation."

In regard to old-age and survivors' insurance, the Social Security Board has made, in part, the following recommendations:

Coverage of all gainful workers, including agricultural and domestic employees, public employees and employees of non-profit organizations, railroad employees, and self-employed persons, including farmers and small businessmen.

Legislation to prevent servicemen from losing the protection of the old-age and survivors' insurance system because of service in the armed forces.

Reduction of the qualifying age for all women beneficiaries from 65 to 60 years. Changes in the average monthly wage and benefit formula to increase benefit amounts, particularly for low-paid workers.

Increase from $3,000 to $3,600 a year in the maximum amount of earnings which are subject to contribution and counted in computation of benefits.

Increase in the amount of earnings a beneficiary may receive in covered employment without suspension of benefits.

Benefits during periods of extended or permanent disability, like those for old-age retirement.

Expansion of Coverage

It is the contention of the Social Security Board that extension of coverage to all workers and coordination of the basic Federal system with special systems for railroad, government and other employees, are essential for adequate protection of aged workers and their dependents and of the survivors of insured wage-earners. Further, that a decade of experience in operating the program has shown several feasible methods of solving the administrative problems which caused the initial exclusion of such groups as agricultural and domestic employees and the self-employed.

The Social Security Board recommendations on Unemployment Insurance are as follows:

Extension of the Federal Unemployment Tax Act to all employers of one or more workers in covered industries and to many excepted employments.

Provision, under Federal law, of unemployment benefits for seamen and for employees of the Federal Government on a uniform basis irrespective of the State in which ahey have worked.

If a Federal-State system of unemployment insurance is continued: Abolition of the credit-offset features of the present tax and substitution of a straight Federal tax of 1% of covered payrolls from the proceeds of which matching Federal grants to the States would be made for both benefits and administration.

Provision for minimum benefit standards as a condition of tax-offset credit (including additional credits). Among such standards would be:

Extension of unemployment insurance coverage to all employees in industries covered by the Federal tax.

Provision of a maximum weekly benefit amount of at least $25 for the worker with dependents, for workers whose past earnings entitle them to the maximum.

Provision of as much as 26 weeks' duration of benefits for all workers eligible for benefits whose unemployment extends over so long a period.

Provision that disqualifications for voluntary leaving without good cause, discharged for misconduct, or refusal of suitable work should entail only postponement of benefits for not more than four weeks rather than cancellation of benefit rights or reduction of benefits.

Definition of good cause for voluntary leaving or for refusing suitable work to include good personal reasons, not merely causes attributable to the job or the employer.

Recommended further, that if the credit-offset feature of the present tax is retained, reduction of the tax to 2% and change in the additional credit provisions, be made, so that employers may obtain rate reductions either through Experience Rating, Statewide reduction or some other method. Also, if minimum benefit standards are adopted, permanent reserve through re-insurance fund, rather than loans, as now temporarily provided for States whose unemployment funds are low.

There is only one interpretation that I can make in connection with the suggested provisions made for credit-offset, and that is there is a determination on the part of the Social Security administration to wipe out the Experience Rating System entirely and the benefits resulting therefrom, to a large extent.

To further illustrate recommendations made by the Social Security Board, I would like to quote the following:

"As a condition of the tax offset, minimum benefit standards should be adopted to assure general adequacy of benefits and equity to workers," and again "it may be seriously questioned whether the Federal Tax—and by inference State Taxes—should be further reduced while risks of temporary disability remain unprotected by most States." "If States could use their accumulated funds for benefits to workers unemployed through illness as well as through lack of work, establishment of State programs for temporary disability insurance would be furthered substantially."

This thinking has had, and is having considerable significance and effect and revives the hope of the agencies interested that federalization of the Social Security programs would ultimately result in a confiscation of the State funds and their utilization for the purposes as outlined.

In regard to Public Assistance, the Social Security Board recommendations, in part, are as follows:

Special Federal aid to low-income States for assistance, administration and welfare services to enable States with relatively low economic resources to develop adequate public welfare programs.

State distribution of available Federal and State funds to localities in accordance with their needs.

Deletion of the Federal matching maximums for individual payments of aid to dependent children, and deletion or increase of such maximum for old-age assistance and aid to the blind.

Federal grants-in-aid to States for general assistance to any needy person, irrespective of the cause of his need, as well as for old-age assistance, aid to the blind, and aid to dependent children.

Extension of aid to dependent children to permit Federal participation in assistance to a parent or other person assuming responsibility for any child who is living in a family home and is needy for any reason whatsoever. Substantially, the same objective could be achieved through the Board's recommendation on Federal financial participation in general assistance.

Abolition of State residence and citizenship requirements as a condition of eligibility for assistance under State plans approved under the Social Security Act.

Elimination as a condition of Federal grants, of State requirements for transferring title or control of property by an applicant or recipient to the State or locality.

Combining Sickness and Disability With Unemployment Insurance

Because of the extraordinary importance and dangers connected with the proposals to combine the sickness disability with the unemployment insurance program, involving the utilization of the unemployment insurance funds, for the payment of sickness benefits, I would like to refer again to the previously mentioned systems of Rhode Island and California.

Rhode Island's adoption of a cash sickness program has had a very stimulating effect on the legislature of several States, indicating a definite trend throughout the United States toward legislation providing benefits for this type of risk. Also, the fact that Rhode Island, with the authority of Congress, has diverted a part of their unemployment trust fund, contributed by the employees, to a fund for cash sickness benefits, will have an encouraging effect upon many of the 10 States, having employee contributions, to follow this same example. California has adopted an optional plan of sickness benefits, permitting coverage through the State operated fund or private contract, utilizing the 1% employee contributions.

New Jersey also has bills, with strong administration backing, that would divert $100,000,000 from the unemployment trust fund to a New Jersey Cash Sickness Fund. The proposed plan would compel the employer to insure the risk with an insurance company or qualify for self-insurance.

Congress and State Legislatures will be subjected to increased pressure to authorize the use of unemployment funds for sickness and other so-called social insurance purposes, and this will become more convincing as we further study the situation.

We have another precedent in the Crosser Bill, passed in the closing days of the 79th Congress, amending the railroad unemployment insurance act by establishing a very liberal system of cash benefits for temporary disability and maternity care, financed entirely from employer taxes. You will probably recall the passage of this act, which was high pressured shortly after the controversy between President Truman and the two railroad brotherhood leaders, Johnson and Whitney, in the closing of the 1946 Congress.

As a consequence, the payroll tax burden under the railroad plan, as amended, will reach a total of 15½% of payroll in a very few years.

Pending Legislation

Pending legislative bills: Senate bill 140 (sponsored by Senators Fulbright and Taft) and 712 (sponsored by Senator Aiken) would elevate the Federal Social Security Administration to a cabinet status, constituting it as "Department of Health, Education and Security." Senate bill 545 (sponsored by Taft, Smith, Ball and Donnell), a much more comprehensive measure, would

(1) Remove all health activities from the Federal Security Administration and incorporate them in a "National Health Agency" to be created, and

(2) Provide for a number of new functions (alternates to proposals contained in the 1945 Wagner-Murray-Dingell bill) to be comprised within the new agency, including chiefly (a) Federal activities and grants to States for cancer control $10,000,000 annually).

(b) Federal grants to State Health Plan which may include State participation in health insurance funds ($200,000,000 annually for five years).

(c) Federal grants to States to provide dental services for school children and low income groups (from $8,000,000 to $20,000,000 annually for five years)

The act would continue to maintain the present status of the Federal Security Administration.

Senate Bill 140 was probably conceived to carry out the recommendations of the President, outlined in his message presenting his reorganization plan No. 2 of 1946, stating in effect "The size and scope of the Federal Security Administration and the importance of its functions clearly call for departmental status and a prominent place in the President's cabinet."

This all might indicate there is a strong possibility that we are destined to have a comprehensive health program in the not far distant future, and it might well come in 1948, the presidential election year.

Further, about one hundred Social Security bills that have already been introduced, will be presented at the next Congress, all of which would liberalize, federalize, or both, the entire Social Security program, including unemployment compensation. The Murray-Dingell companion bills S 1734 and H R. 4390 might provide the best illustrations. These bills would establish a national system of unemployment compensation with additional benefits for dependents and with cash sickness and maternity benefits. The maximum benefits provided therein would make it possible for a $35 per week employee, with three dependents, to qualify for the maximum of $30 per week, or potentially over $1500 a year, with about six months unemployment, and an additional six months for sickness. The provisions therein would enable the Board of Trustees to extend duration of unemployment to 52 weeks where and if the fund of the State was adequate. Benefits for maternity care to the extent of 12 weeks would be in addition to cash sickness benefit.

Further provision is made for medical, surgical, institutional, rehabilitation and other services to disabled individuals entitled to receive insurance benefits if these services may in any way enable such individual to return to work. The way the bill was set up, there was no limitation stated.

Financing—Although no specific tax is imposed by the bill, which would repeal the Federal unemployment compensation tax, it is perfectly clear that a 3% payroll tax is contemplated, without experience rating. The bills are designed to force the States to turn over their unemployment compensation funds to the federal system and, where the States refuse to transfer these funds, they would suffer penatly of the withdrawal of federal social security grants in such programs as old-age, aid to dependent children, etc. Coverage would include virtually all employees, excluding federal, state and foreign government employees.

The foregoing will give you a fairly good conception of the thinking of those who have a big voice and in fact decisive powers in the determination of the laws of our land. We may or may not agree with these principles, but the fact is that we are being maneuvered and rushed into a complete social program that may very easily stifle our economy. It is my opinion that we have a big job on our hands to keep the economy ship seaworthy, and to temper the progress of this expensive program until it can be absorbed gradually and safely into our economy.

Opinions As to Ultimate Cost

There are varied opinions that have been expressed as to what the ultimate cost of social security and what the form of taxation will be, but in all probability we can conservatively say it will reach between 20% and 24% of payroll, in about 15 to 20 years, for a program that will include

(1) Old-Age and Survivors Insurance with permanent disability.

(2) Unemployment insurance, further liberalized as previously outlined.

(3) Health insurance which would include medical, hospital care and temporary disability and welfare services.

The fact is there is one authority in particular, who states the cost might very well reach 29%, basing his calculations upon an admission of Senator Wagner that his program would cost 18%, and plus 9% for old-age and survivors insurance program, and an average cost of 2% for unemployment compensation.

After realizing the magnitude of the tax potentialities under a complete Social Security Program, I hope we all will be cognizant of our responsibility and lend every effort we can to keep our economy solvent, maintain government by the people, and safeguard our system of free enterprise, which has given us the highest standard of living in the entire world.

Firm Name Now Lucas, Eisen & Waeckerle

KANSAS CITY, MO.—The firm name of Lucas, Farrell & Satterlee, Inc., 921 Walnut St., has been changed to Lucas, Eisen & Waeckerle, Inc. Officers are Mark A. Lucas, Jr., Erwin H. Eisen, Harold E. Waeckerle, and John F. Parker.

Henry L. Phillips Will Open Inv. Business

SUNBURY, PA.—Henry L. Phillips will shortly open offices to engage in a securities business. Mr. Phillips has been associated with Theron D. Conrad & Co., Inc., as sales manager.

Competition, Price Policy and High-Level Stability

(Continued from page 4)

maintained. This is about where the problem stands now. Without an adequate counter-cyclical fiscal program high-level stability of output and employment is unlikely. With an adequate fiscal program a free market economy seems inevitably to generate strong inflationary pressures.

Price Policy Dependent on Market Structure

Turning now to the second term in the subject assigned to me, *i.e.*, price policy, I should like to consider the behavior of different prices in the price system as the economy approaches high levels of employment and output. The thesis I want to defend, at the risk of considerable over simplification, is that wage rates and competitively determined prices are the dynamic price elements which drag along in their wake, but sluggishly and slowly, the prices of products produced in highly concentrated industrial markets. Needless to say the relative stability of industrial prices is not to any large extent to be attributed to the superior moral character or even the superior wisdom of those who determine these prices. The explanation of differences in price behavior and in price policies is to be found mainly in the differences of structure of different product and service markets. As far as motives are concerned I assume that when business firms see an opportunity for profit they take it and that when labor union leaders see another dollar in the till their thoughts turn to wage rate increases. When these motives are converted into action the effect on prices and wages will depend mainly on the market structure within which this action takes place.

It should require no extended argument to demonstrate, nor statistical material to illustrate, the fact that the prices of industrial products are relatively stable. This is, of course, as true of the downswing of the cycle as it is of the upswing. Here we are concerned with the behavior of prices in the present period of more than full employment. It is not the prices of iron and steel, petroleum products, heavy chemicals, aluminum, glass or other items produced in the highly concentrated industrial sectors of the economy that have led the way in the present upswing of prices but rather grains, poultry and dairy products, textile fabrics, lumber and other items produced in what we are accustomed to call competitive markets. It is not the prices of motor cars as sold by the "big three" that have soared out of sight but rather the prices of so-called used cars sold on more competitive markets. And when the output of the concentrated industries has risen in price the cause of the rise in price is, as likely as not, to be found in substantial wage rate increases.

This phenomenon was of course, familiar during the war period as well as after. It was the large scale enterprises of the country that gave least difficulty to price control authorities and the highly competitive industries that gave most difficulty. Whatever the nature of the monopoly problem at other times and places, at this particular juncture of incipient inflation public authorities should thank heaven for a substantial degree of concentration in the American economy.

Now why is it that the prices of goods in the heavily concentrated industrial sector of the economy are relatively stable or inflexible both in the upswing and the downswing of the cycle? It would be impossible to answer this question in satisfactory fashion without examining the structure of particular industrial markets but there are certain characteristics common to all or most of the industries here under consideration that go far toward expaining this phenomenon. Among these characteristics I should consider the following to have special importance: the tendency of variable costs per unit of output to be stable with respect to changes in the volume of output; the existence of possibilities of expanding sales through advertising or product changes without resort to price inducements; price policies which of necessity take account of the probable price reaction of rival firms; a traditional concern with antitrust policy which forms part of the peculiar sensitiveness of large firms to adverse public reaction.

If you will permit this oversimplification, what we may think of as a typical industrial market situation is one in which three or four large firms account for a high percentage of the total sales of the industry, in which these firms enjoy some substantial opportunity to use non-price competitive techniques, a situation in which they typically regard their variable costs as constant with respect to output and finally a situation in which the firms are sensitive to the possibility of adverse public and legal action. In markets of this sort there is a strong tendency toward stability of prices over the cycle.

By way of contrast, in agriculture, in many branches of the textile industry, lumber and elsewhere the course of events during a cyclical upswing seems to be about as follows: an increase in demand leads to an increase in price which is almost immediate unless stocks are unusually large. The increase in prices is followed by an increase in output but at costs which soon begin to rise. Costs rise both because of a resort to higher cost sources of supply and because higher prices have to be paid to attract resources including labor into the industries in question. The sequence of events seems to run from demand to prices to costs. This sequence is well illustrated by the relationship between these variables in competitive fields of enterprise during the war.

In the area of large-scale enterprise, however, the sequence of cost-price relationships appears to run in the other direction. An increase in demand will be followed by an increase of output accompanied by no, or a very small, price increase. This situation may persist for an increase that carries output nearly to capacity operations depending largely on what happens to material prices or to wage rates. In the absence of substantial changes in material prices or wage rates, variable costs per unit of output remain constant or rise very slowly, and since overhead is spread over an increased volume average costs decrease and profits increase markedly. Under these circumstances the impetus to a price increase seems mainly to come from the costs side, *i.e.*, from an increase in material prices or wage rates. The increase in material prices, in turn, is likely to be significant depending on whether these materials are produced under competitive conditions or in the large enterprise sector of the economy.

If this view is approximately correct—and I believe that it is—the dynamic elements in the price system are mainly wage rates, particularly the rates of organized labor, and the prices of goods produced in the small enterprise sector of the economy. Furthermore the dynamic elements act and react fairly strongly upon each other. Costs of living depend quite substantially on the prices of goods produced in the competitive sector of the economy. An increase in the cost of living certainly provides, at the least, a strong talking point for wage rate increases. On the other hand, an increase in money wages cannot help but increase the demand for the output of this sector of the economy, and, as we have seen, the relationship between an increase in demand and in prices is close and immediate in the area of competitive production.

Agricultural Prices Out of Line

We could hardly have a better illustration of the interconnection between the dynamic elements of the price system than confronts us at present. The prices of agricultural products are definitely on their way up with obvious consequences for the cost of living. The cost of living can hardly continue to rise without another round of wage rate increases. The prices of industrial products are caught in the middle and regardless of the reluctance of large-scale enterprise to undertake another round of price increases the prices of their products are likely to be drawn upward by the behavior of the more volatile elements in the price system.

This digression concerning differences in price behavior in various parts of the economy has drawn us away from the explanation of why prices in highly concentrated industrial markets are relatively stable. There is more to that question than is contained in a discussion of the relation of changes in the rate of output and costs. In the markets now under discussion there is one or a small number of firms each so large, relative to the total market, that a variation in its volume of sales will have price effects that must be taken into account. How they are taken into account constitutes the core of what is customarily called price policy.

To have a price policy implies that the price at which a firm sells is not determined exclusively by market forces outside its own control. The possible courses of action open to the firm confronted by this situation are numerous. Recognizing that, under existing conditions, increased volume can not be obtained except by price reductions, the firm may try to change these conditions by increasing advertising expenditures. The firm may also attempt to increase sales without reducing prices by one or more of a large category of possible courses of action that are usually described as non-price competition, to be discussed by Mr. Phillips this afternoon. The term price policy, as I am using it here, embraces the whole range of devices by means of which the firm attempts to influence its volume of sales within the limits of the basic demand and cost conditions which lie outside its control.

Even if it is impossible to influence sales without resort to price changes it by no means follows that price changes will be made. In markets dominated by a small number of sellers any given firm, before changing its price, will have to take account of how its competitors are likely to react to this price change. If a price cut is met by rivals the firm may gain little volume and actually lose revenue by the price cut. If a price increase is not followed the firm may lose largely both in sales and revenue. Under these circumstances the firm may be well advised to leave its price unchanged.

This situation seems, in fact, to be typical of many industrial markets during most of the business cycle. In the absence of substantial change in material prices or wage rates the volume of sales can and does increase without any marked change in prices. A price increase is not necessary to induce increased volume since variable costs seem to be fairly constant with increasing volume pretty much to the limit of designed capacity. As output increases toward this limit no firm increases its price for fear its rivals will not follow. Likewise, as output falls, variable costs per unit are relatively unaffected. And no firm reduces its price because a price cut is likely to be followed by all firms. Meanwhile a very active competition of a non-price variety may well be in process. Admittedly this is an oversimplification of the situation but it seems to hold true in many industrial markets.

The type of market structure that produces a high degree of price stability over the cycle is neither predominantly monopolistic nor predominantly competitive. It exhibits a blend of monopoly and competitive elements and it is the particular nature of this blend that results in the tendency toward price stability. If these markets were either more competitive or more monopolistic it seems likely that prices would respond more sensitively to changes in demand conditions than in fact they do. If they were more competitive the individual seller would not be concerned with the question whether his rivals would meet a price increase or decrease. If these markets were more monopolistic the firm would either have no rivals to take into account, or if there were rivals, responses to changed market conditions would be governed by understandings or agreements among the firms. As it is there is sufficient monopoly influence in these markets to prevent price cutting when demand recedes. There is also enough competition both to resist price increases in response to increases in demand and to lead to an active cultivation of non-price forms of rivalry.

Effect of Public Reaction

Up to this point we have discussed industrial price stability with reference to monopoly and competitive elements in the market. It would be unwise, however, to take leave of this subject without recognizing the substantial influence that public attitudes and public policy have on industrial prices. The large scale firm in the American economy is in a highly vulnerable political position. The antitrust mentality is deeply ingrained in the American people and the antitrust laws are merely a legislative embodiment of a profound suspicion of business size. The public reaction, therefore, to a rapid increase in industrial prices is apt to be very different than to a comparable rise in agricultural prices or in the prices of other products of small enterprise. The management of large firms, the leaders in particular industrial fields, are as well aware of this as anyone else, and the probable effect on public relations of a sizable price increase is certainly taken into account. It would be difficult to explain the behavior of certain industrial prices at the present juncture without resorting to this kind of consideration. Certainly petroleum prices and the prices of a number of other products could be raised by the leading firms without any loss of business to rivals. That such prices are not raised is to be explained by semi-political considerations rather than by the economic elements of market structures. If anyone doubts the importance of this influence in the United States let him consider the behavior of industrial prices in a Latin American country, say Argentina or Brazil, in the face of the inflationary pressures that now impinge on this country.

Wage Rates and Prices

Returning now to the dynamic elements in the price system, which there is reason to believe, are mainly competitively determined market prices and the wage rates of organized labor, why is it that, in the typical industrial markets now under discussion, wage rates tend to push up prices as the economy approaches full employment rather than following prices as they tend to do in more competitive markets? The answer again has mainly to do, I believe, with the structure of the markets in which wage rates and prices are determined.

Although a comparison of the monopoly power of a labor union in the labor market with the monopoly position of a firm in its product market presents serious difficulties, there are certain respects in which the power of particular labor monopolies seems much stronger than does the monopoly power of most large scale enterprises. Furthermore it seems certain that labor leaders are less inhibited by public relations considerations in the use of what monopoly power they have than are large-scale enterprises. An industry-wide labor union may control the supply of labor for the whole industry.

If so it is in the same position with respect to this labor supply as a single firm would be with respect to output if it were the sole producer in the industry. That particular blend of monopoly and competitive elements which helps to explain price stabilization policies in the product market is absent in such a labor market. Add to this the fact that labor is not inhibited by an antitrust policy or, at least not to the same degree, by the public animus against business giantism, and one has at least part of the explanation of why it is that increases in wage rates are a primary factor in pushing up sluggish industrial prices.

Sluggishness of Price Adjustment

If we may conclude then that industrial prices tend to adjust themselves slowly to price changes elsewhere in the system, what is the effect of this price inflexibility on high-level stability in the economy as a whole? At the present juncture, facing as we are heavy inflationary pressures, the relatively sluggish adjustment of industrial prices can only be judged to be a stabilizing factor. The more sluggish the adjustment the better. When one turns, however, to the effect of inflexible prices on employment and output over the cycle one raises a question about which economic thought to date is, to say the least, confused and confusing. Personally, I should support the view that the inflexibility of industrial prices tends to even out cyclical fluctuations in employment and output. At the same time I should have to say that on this matter economic thought is badly divided.

On the whole question of the proper relation of costs, prices and profits at any particular stage of the cycle no one, so far as I know, has had anything very convincing to say. In a highly productive, wealthy economy such as ours, it is probably true that on the average and over the long run a low-profit, high-wage relationship is conducive to the maintenance of high-level employment. Unless consumption can be sustained at a high rate—and this means high wages—the capacity for saving in the American economy at any level approaching full employment is such as to create a most difficult investment problem. As far as cost-price relations are concerned this would seem to argue for a much higher break-even point than is customary in American industry though how this is to be achieved I don't know.

A recognition of these factors, however, throws little or no light on the question which cost-price-profit relation is conducive to the attainment or maintenance of high-level employment over any particular short-run period. At the beginning of this year a report by Robert Nathan and, in more restrained language, the President's first "Economic Report" under the Employment Act of 1946 advanced the view that prices and profits were too high and wages too low to sustain high-

level employment. Since Nathan saw no prospect of adequate price reduction, it would require in his view large wage increases to sustain an effective demand, sufficient to take off the market the flow of goods foreseen for 1947 at full employment. The President's report contented itself with a recommendation of selective price reductions and wage rate increases.

Now the fact of the matter is that economists at the present time do not know anywhere near enough to be able to predict, on the basis of current wage, price, profits, and employment data, what the effective demand and, consequently, the level of employment and output is likely to be over the ensuing short period. As things have turned out wage rate increases have done little but push up prices and it is hard to see, under the circumstances, how they could have been expected to have any other effect.

Apparently we are in for another round of wage increases shortly. Is it too much to hope, however, that we shall be spared further talk of the necessity of increasing wages to maintain purchasing power to maintain output and employment? Admitting that over the long-run and in the absence of extensive government intervention, a high-wage, low-profit relationship is probably necessary to the maintenance of high-level stability, it does not follow either that it can be brought about by wage rate increases or that this or any other particular relationship is the desirable one at a given stage of the business cycle.

Competition

Finally let us return to the first term of our subject, namely competition. We have seen that one of the important consequences of that blend of competitive and monopolistic influences characteristic of industrial markets is a relative stability or inflexibility of prices. It would be quite impossible, most people agree, by anti-trust or any other sort of policy, to bring about a really competitive adjustment of industrial prices to the upswings and downswings of the business cycle. Furthermore, in my opinion, it would be dubiously desirable even if it could be done. Prices would fall very low in periods of depression and rise to extremely high levels in boom years. The profits of business enterprise could be measured only in negative figures in depression and would soar to astronomical heights in prosperous years. What this would do to speculation, to business planning and to labor relations is perhaps not too difficult to foresee. In fact, I doubt whether we want a sensitive competitive adjustment of industrial prices to the swings of the cycle.

What we do want from competition is a process by means of which over the long run—and not too long a run at that—consumers get the results of a vigorous and independent probing of the possibilities of cost and price reduction in the American economy by independent buyers and sellers. In recent years various people concerned with public policy in the area of industrial organization have been looking for a practicable standard of competition more consonant with the fact of American industrial life than the standards customarily advanced by economic theorists or anti-trust lawyers. They reject, on the one hand, pure competition or any variant of it, as a norm of desirable behavior; on the other hand, they insist that the tests of monopoly ordinarily suggested in anti-trust actions are frequently either insignificant or misleading and, in any case, have meanings that vary greatly with the industrial context. The term usually applied to describe such a standard is "workable competition."

Now it must be admitted that to date very little progress has been made in giving precision to this notion. About the only general specification of workably competitive market structures that can be advanced is the following: workable competition implies the availability to both buyer and seller of an adequate number of alternative courses of action. Obviously, the word adequate puts a heavy premium on judgment of the significance of facts in particular industry situations. It is clearly not enough that buyers have a number of sellers from whom to choose or that sellers have a number of customers to whom they can sell. There must be on the part of buyers and sellers an independent probing of the possibilities in the situation. Beyond this point it is impossible to go in any general discussion of workable competition. Further meaning can be added only by breaking down the problem into the context of particular market situations.

There is however, one aspect of this problem to which, in closing, I wish to direct attention and that is the relevance of numbers of buyers and sellers in a given market to the monopoly problem. It may be said, I think, that large numbers are a sufficient though not a necessary condition of workable competition. If these numbers are large enough to prevent any serious consideration of interdependence among firms they are probably also large enough, in the absence of government support, to make collusion impracticable or ineffective. The industry may be unprogressive and existing methods may involve serious wastes, but there is nothing in the situation to prevent individual firms from exploring demand elasticities and possibilities of cost reduction. If measures need to be taken to improve efficiency they will definitely not be measures leading in the direction of more competition.

The fact that large numbers of buyers and sellers *will* insure workable competition does not mean, however, that such numbers are necessary. Whether or not competition is in fact workable in a market dominated by three or four large sellers depends on a number of considerations such as the rate of technical change or innovation, conditions of entry, trade association practices, volume of imports and others. Furthermore, the way these considerations blend in any particular market context is sufficiently complex to render a final judgment possible only in terms of the net effect on courses of action open to suppliers or customers of the industry in question.

In particular, one should be cautious in attributing monopolistic significance to size of firm or percentage of sales in a market subject to active product or process innovation. This is presumably the basis for the common sense view that the automobile industry is a highly competitive industry despite the fact that, at least before the war, 90% of the sales of popularly priced cars were made by three firms, two of which persistently earned high rates of profits. I suggest that the common sense view is probably right.

Do You Buy Municipal Bonds?

(Continued from page 15)

terially, and demand increased, largely because of high war taxes including both income and excess profits.

(3) Municipals are seldom traded for profit as in the case of taxable bonds. Profit is merely future income. If taken as current income over the years to maturity it is tax exempt, but if taken as profit it is subject to a capital gains tax. This fact alone materially restricts the supply of municipals coming into the secondary market, leaving new underwritings as a most important source of supply. During the war years new underwritings declined substantially.

During this period of limited supply and substantial demand, and I may add that we are still in such a period, we find surprisingly small differences in yield between high grade well-known names with a broad market and names of lesser quality. For example, among the widely known names five-year Minneapolis bonds are selling to yield about 1.00%, and Philadelphias about 1.10%. This represents only about $1.00 additional income per $1,000 investment in spite of the difference in the quality of the two bonds. Another example is the State of Illinois five-year bonds selling on .90% as compared with Buffalo, New York on a 1.05%, both good bonds, but State of Illinois credit is more highly regarded than that of the City of Buffalo.

About the time the State of Illinois bonds were issued this year Ross School District located in Marin County, Calif., having a population of 2,650 sold an issue. The five-year Illinois bonds were priced to yield 1.05% and the five-year Ross School District bonds were priced to yield .95%. State of Illinois credit is well known and the bonds have a broad market. Ross School District, Marin County, Calif., is little known and, relatively speaking, the bonds have a restricted market yet their price was higher than the Illinois bonds.

Generally speaking if a credit is little known to your correspondent bank and other large buyers, and is also little known to you, it probably should be avoided. Sources of information, both historical and current regarding municipal credits is rather limited. I know of only one service which rates them, and I believe it places no ratings on credits outstanding in small amounts. At the time a little known issue is marketed the underwriter has a certain amount of information useful in evaluating the credit. From year to year thereafter, however, current information is extremely difficult to obtain either by yourself or by any prospective purchaser if you should desire to liquidate your holdings. Consequently, the bonds are likely to have a poor market and unfavorable developments could take place in the situation without your knowledge. Bonds issued by your own community or communities close by thus permitting continuous knowledge on your part of important developments in their financial affairs may be evaluated in much the same fashion as a local loan. However, if approached in this manner, price continues to be a matter of practical consideration.

Revenue Bonds

My discussion thus far has been directed solely toward direct obligation ad valorem tax bonds secured by the full faith and credit of the municipality and issued with a good legal opinion acceptable without question by large buyers of municipal securities. During the past several years the so-called tax exempt revenue bond has become increasingly evident. Straight revenue bonds are not secured by the full faith and credit of the municipality with principal and interest payable from unlimited ad valorem taxes, but are serviced exclusively from the earnings of the enterprise for which they have been issued. Even though the physical operating properties are owned by the municipality, the municipality does not guarantee service on the bonds. Obviously, standards for appraising the investment quality of such securities are quite different from direct obligation securities. Standards somewhat similar to those used for public utilities and corporations should be employed for appraising revenue bonds. Taken as a class these revenue bonds obviously do not enjoy so favorable a credit rating as direct obligation securities, and generally prices reflect this difference to some degree. However, some revenue issues are very highly regarded, and I have no intentions of condemning them as a group. I merely wish to emphasize that analysis of them should be approached in a different manner.

Bank Holdings of Municipals

A report prepared by your Federal Reserve Bank for the year 1946 indicates that 58% of the total assets of the 469 member banks in this district consist of United States Government securities, and only 4.2% other securities including municipals, corporates, etc. This indicates meager use of tax exempt municipals by the banks in this district. Under the present Federal Corporation Income Tax law very few banks having total assets of less than $2,500,000 or even $3,000,000 would be justified in considering them under present market conditions. About one-third of your 469 member banks are in this category. The percentage of securities other than governments in all size groups is about the same ranging from 3.5% for the largest size group to 5.3% in some of the other groups. These figures lead me to believe that more extensive use of municipals by the medium to large banks inclusive might well increase net profits after taxes if judiciously approached.

In order to determine possible need for municipals the first step might well be to review your Federal Income Tax return for the year 1946 and observe the amount of tax paid for that year. If this amounted to more than $5,750, and current operations indicate about the same or larger earnings performance before taxes this year, then the use of good tax exempt state and municipal bonds should be considered for your situation.

The next step should be to determine prices you can afford to pay for municipals. An estimate of earnings and expenses for the year will indicate the probable amount of taxable income. If you will fit this into a tax return schedule it will indicate the normal and surtax rates to use when comparing tax exempt municipal prices with those of taxable bonds of similar maturities. Municipals should have an advantage of at least .10% yield over taxable governments net after taxes to justify purchase.

After determining proper tax rates for your institution you are then confronted with the problem of selecting specific bonds for purchase. My earlier remarks apply more or less generally to this phase of the problem. I shall now endeavor to discuss briefly a number of additional phases.

In regard to timing of purchases the conservative investment banker recommends that it should be done when funds are available for investment. Obviously this is simply an implied warning against attempting to guess future market conditions and in this sense is sound advice. Municipals should be purchased when earnings and tax status indicate an advantage and in most situations will require shifting funds from taxable to tax exempt bonds as well as the use of tax exempts for new funds.

For several years most state and municipal bonds have been selling at premiums, although occasionally, especially in longer maturities, bonds appear in the market at a discount. Obviously the amount of the premium is determined by three factors, quality, coupon rate and maturity. Consequently bonds priced at high premiums carry larger coupons. In the mind of the investing public there has always been some prejudice against high premiums although during recent years it has been less apparent. However, in the present market it is usually true that in the same credit maturity a better yield is available from high premium bonds than from those with low coupons offered at prices close to par. For example, in the present market there are some New York City $2\frac{1}{2}$s due 1952 offered on a 1.60% basis, and also some New York City $4\frac{1}{4}$s due the same year on a 1.85% basis. All banks amortize premiums so there should be no prejudice against them. As a matter of fact there are definite advantages to the high premium bonds other than a larger yield to maturity. The premium through amortization is nothing more nor less than serial maturity of that portion of the principal invested. Many investors look upon discount bonds with disfavor because the yield to maturity is not entirely tax exempt. The profit taken at maturity is subject to a capital gains tax under the Federal Income Tax law.

In the cases of states and municipalities the borrower is a constant permanent entity. Political control may change, shifts may occur in population and the willingness or ability to pay may change, but the corporate municipal name is permanent and will be there year in and year out. Consequently the necessity of actively watching and following municipal credits is not quite so important as it is with corporate bonds. This to some degree reduces the risk and worry aspects in any high grade municipal program.

However, municipals cannot be bought blindly by the average banker and wherever possible he should utilize his correspondent bank friends and various municipal dealers in obtaining current opinions and information.

Quality Guides

There are many legal, fiscal and political factors used as a general guide in determining the quality of municipal bonds. They should be applied as patterns and guides but not necessarily in the sense of set formulas in determining quality of municipal credit. Some of these factors are:

(1) Size and character of population.

(2) Type and diversification of industrial life.

(3) Character of local government.

(4) Direct and overlapping debt as related to population and assessed valuation indicating tax paying ability.

(5) Willingness to pay as determined by past experience.

(6) State laws regarding debt limitations, methods of levying taxes, etc.

(7) Tax collection record.

To apply any of these in any fixed ratio for determining quality is not practical, but all of these factors and others combined are constantly important in arriving at a conclusion in respect to the quality of a credit.

It is not surprising that many bankers especially in smaller towns situated some distances from financial centers, feel they do not have adequate ability to judge municipal credits or keep properly informed. In some respects the municipal business is peculiar. In reality the combined opinions of municipal buyers in the aggregate establish much of the credit standing of an individual situation. Much information is carried by word of mouth, and exchanges of opinions, rather than in printed form. Consequently the average buyer has to place considerable confidence in other people, not necessarily only one or two persons but preferably several.

Municipal dealers, banks with Bond Departments and correspondent commercial banks are all willing to share their information with others.

The State of Trade and Industry

(Continued from page 5)

be in balance—and "The Iron Age" was a way up front in this—the situation is tighter than ever. With some companies it is worse than war days. Recent statements made by steel leaders indicate two years as a "safe" guess as to how long demand for steel will be so far above the supply that inventories appear small and unbalanced.

The survey this week by "Iron Age" district editors and correspondents all across the country covering big and small firms discloses that stocks are below normal when measured against current manufacturing schedules. Many companies are keeping output high by buying in the gray market, using substitutes, working hand to mouth, periodically shutting down and utilizing every known and heretofore unknown brand of conversion deals, the magazine points out.

One of the most serious conditions uncovered by the survey was the extreme shortage of bolts and nuts. For the want of bolts many projects and products are incomplete. Some producers of these small but strategic products are entirely out of material needed for the manufacture of some common-sized bolts and nuts.

The current tight inventory situation applies despite action in the past several months during which steel consumers controlled inventories, balanced stocks, got rid of obsolete or excess stock and generally "cleaned house," "The Iron Age" reveals. Both producer and consumer know, however, that any sudden decline in demand for durable and non-durable products would cause current inventories to become a much larger factor than they are now.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 94.1% of capacity for the week beginning Sept. 22, 1947, as compared with 89.4% one week ago, 93.4% one month ago and 90.4% one year ago. This represents an increase of 4.7 points, or 5.3% from the preceding week. The scheduled increase is made possible by the resumption of normal operations at the Carnegie-Illinois Steel Corporation, which had been affected by a strike of railroad employees for two weeks.

The week's operating rate is equivalent to 1,646,700 tons of steel ingots and castings compared to 1,564,400 tons one week ago, 1,633,700 tons one month ago, and 1,593,200 tons one year ago.

ELECTRIC OUTPUT 10.4% HIGHER THAN A YEAR AGO

The amount of electrical energy distributed by the electric light and power industry for the week ended Sept. 20, 1947 was 4,977,141,000 kwh., according to the Edison Electric Institute. This compares with 5,053,300,000 kwh., an all-time high record, in the preceding week, and was 10.4% in excess of the 4,506,988,000 kwh. produced in the corresponding week of last year.

RAILROAD FREIGHT LOADINGS HIGHER FOR WEEK AND YEAR

Loadings of revenue freight for the week ended Sept. 13, 1947, totaled 922,360 cars, the Association of American Railroads announced. This was an increase of 133,310 cars, or 14.0% above the preceding week which contained a holiday. This represented an increase of 15,191 cars, or 1.7% above the corresponding week in 1946, and an increase of 66,259 cars, or 7.7% above the same week in 1945.

AUTOMOTIVE PRODUCTION HITS NEW POSTWAR PEAK

Auto output in the United States and Canada the past week broke into new high ground and established a new postwar peak. A shutdown this week by Hudson to permit changeover to new models may effect a slight drop in production according to "Ward's Automotive Reports." The present scarcity of sheet steel also continues to threaten planned schedules, the above trade authority reports. In fact according to "The Iron Age," an authority in the steel trade, the automobile industry this week admits that it will not be able to keep up a 100,000 car a week pace during the balance of 1947 because of its inability to get that much steel. Auto leaders and steelmakers agree on this point. At least one major automobile manufacturer the current week is revising his production schedule in line with what his steel suppliers have told him he would get and not what he would like to get.

Production in the United States and Canada during the past week totalled 110,088 units, compared with a revised figure of 106,095 units for the previous week and 80,972 units in the comparable period of last year, states Ward's. In the corresponding 1941 week the figure was 60,615 units.

Last week's output comprised 104,521 vehicles made in this country and 5,567 in Canada. The U. S. total included 77,351 cars and 27,170 trucks, while the Dominion figure showed 3,590 cars and 1,977 trucks.

BUSINESS FAILURES CHANGED SLIGHTLY IN LATEST WEEK

Changing only slightly from the previous week, commercial and industrial failures numbered 73 in the week ending Sept. 18 reports Dun & Bradstreet, Inc. This compared with a total of 75 concerns failing in the preceding week. While failures were almost four times as numerous in the week just ended as in the corresponding week of 1946, they were only one-third as high as in the same week of prewar 1939.

Most of the week's failures, 62 out of a total of 73, involved liabilities of $5,000 or more. Increasing from 60 a week ago, they were over four times as numerous as in the comparable week of last year when only 15 concerns failed. A decline appeared in small failures involving liabilities under $5,000. Numbering 11, these small failures were down from 15 last week; nevertheless, there were considerably more failures in this liability class than a year ago when only four failures were reported.

Three-fourths of this week's failures were concentrated in manufacturing with 23 and in retailing with 29. Increases were confined to retail trade and commercial service. The number of retailers going out of business with loss to creditors this week rose from 25 to 29 or about five times as many failures as occurred last year. In commercial service, the rise was even sharper, with 10 concerns failing against five last week and only two a year ago.

FOOD PRICE INDEX AT NEW PEAK IN MORE MODERATE RISE

Irregular movements slowed down the upward trend of food prices in the past week. The Dun & Bradstreet wholesale food price index registered a new record peak of $7.12 on September 16, up 10 cents over the September 9 figure of $7.02. This rise contrasted with a 31-cent advance scored during the preceding period. The current index compares with $5.03 on the corresponding 1946 date, an increase of 41.6%.

Commodities moving higher during the week were flour, wheat, corn, rye, oats, bellies, lard, butter, cheese, coffee, tea, cocoa, peas, steers and hogs. Declines took place in barley, hams, cottonseed oil, beans, potatoes, rice and lambs. The index represents the sum total of the price per pound of 31 foods in general use.

DAILY WHOLESALE COMMODITY PRICE INDEX AT NEW POST-WAR LEVEL

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved irregularly last week, reflecting nervous and erratic fluctuations in foods and grains. After an up and down movement, the index climbed to a new post-war peak of 286.28 on Sept. 15, and closed at 287.05 on Sept. 16. This contrasted with 283.53 recorded a week earlier, and with 224.35 a year ago.

Grain markets were unsettled and prices reacted sharply on Thursday and Friday due to heavy profit-taking but turned upward in the closing sessions to recover most of the early losses. Active trading in wheat, corn and oats on the Chicago Board of Trade lifted sales for the week to 377,000 bushels. This was the largest volume reported for any week so far this year and compared with 258,000 in the previous week, and with only 80,000 in the same week a year ago. With the movement from the country still light, cash yellow corn prices rose to a new all-time high of $2.58¼ per bushel.

Cotton markets were irregular last week but the general trend was upward particularly in the latter part of the period. Strength appeared following the government's second forecast of the new crop at 11,849,000 bales, which was about 250,000 bales smaller than had been generally expected.

According to the New York Cotton Exchange Service Bureau, this left the prospective domestic supply of all cottons still at an estimated 14,400,000 bales, as compared with a total supply of 16,111,000 bales last season. Export demand for the staple was rather slow but domestic mill demand as well as commission house and trade buying showed considerable increase. Offerings appeared tighter as substantial amounts of the new crop were reported being placed in the government loan. Consumption of cotton during August was estimated at about 700,000 bales, or an average of 33,300 bales per day. This compared with 677,489 bales used during July, or a daily average of 30,800 bales. Weather conditions over most of the belt were reported favorable for picking and ginning.

Trading in domestic wools continued very active in the Boston market as well as in western areas, where prices obtained were higher than those offered by the Commodity Credit Corporation. Keen competition featured Australian wool auctions.

Average prices since the new season began this month were reported to be 50% higher than at the September sales last year. Imports of foreign wools into this country continued at a very low level.

RETAIL AND WHOLESALE TRADE REFLECT SLIGHTLY HIGHER LEVELS FOR WEEK AND YEAR

Consumer buying increased very slightly last week as compared with the preceding week. While the dollar volume of retail sales was a trifle higher than that of the corresponding week a year ago, unit volume was moderately lower. Dun & Bradstreet, Inc., reports in its weekly survey of trade. The proportion of cash sales to total volume declined as consumers increased their use of charge accounts and collections were reported less prompt than in previous weeks.

Food volume rose moderately and resistance to the soaring prices of some foods generally intensified. The demand for meat, butter and eggs declined somewhat, but both fresh and canned vegetables, fruits and juices were purchased in considerable volume. Frozen foods were in steady call and the demand for oleomargarine increased. High-priced liquors were neglected in favor of beers and ales.

Interest in Fall apparel increased slightly although continued hot weather in some areas discouraged buying. Women's new Fall styles generally attracted favorable attention with lingerie, dresses, hats and shoes selling well. Men's worsted suits and topcoats were in good demand and boys' trousers and sweaters increased in popularity. Children's back-to-school articles continued to be sought.

The demand for hardware, building materials and general items for household repair was steady at a high level. Better quality furniture, draperies and some types of floor coverings were purchased in large volume. In some areas substantial price cuts on certain types of radio-phonograph sets stimulated buying. The demand for nationally advertised refrigerators, ranges and washing machines continued to exceed the supply.

Wholesale volume in the week was at a slightly higher level than that of the preceding week and moderately exceeded that of the corresponding week of 1946. Buying generally continued to be optimistic but some concern was expressed over rising prices. The preference of retailers for moderately-priced merchandise of good quality persisited.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 13, 1947, declined by 1% from the like period of last year. This compared with a increase of 1% (revised figure) in the preceding week. For the four weeks ended Sept. 13, 1947, sales decreased by 2% and for the year to date increased by 7%.

On a comparative basis retail trade here in New York the past week increased substantially. Department store volume for example was reported as showing an increase of 20% or more over the similar week of 1946. It should be pointed out, however, that the comparison was affected by the fact that trucking and delivery strikes sharply altered sales volume a year ago.

The religious holidays cut into wholesale activity for the week, but mail orders are heavy and food prices held at or near peak levels. Heavy purchases of machine tools were also reported.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period to Sept. 13, 1947, decreased 3% below the same period last year. This compared with a similar decrease in the preceding week. For the four weeks ended Sept. 13, 1947, sales declined 3% and for the year to date rose by 7%.

News About Banks And Bankers

(Continued from page 16)

Saturday bank closing which has been observed by the **Pittsburgh, Pa. banks** during the Summer, and was scheduled to end at the close of September, will be continued indefinitely, it was stated in the Pittsburgh "Post-Gazette" of Sept. 5. In indicating this, the paper referred to, said in part:

Frank R. Denton, President of the Pittsburgh Clearing House Association and Vice-Chairman of the Mellon National Bank & Trust Co., said Thursday, Sept. 4, that the member banks of the Association have decided to remain closed for business on Saturdays in an extension of the plan which has been on trial since June.

A spokesman for one of the banks here said it may be expected that in view of a five-day week in banking here and in Philadelphia, a bill to permit banks to do business on holidays will be introduced in the next session of the legislature. While this will be a blanket bill covering all holidays, similar to one which was passed by the Ohio Legislature this year, the purpose is to permit banking hours on holidays in which general business normally is done. Under this plan, banks would be closed only on New Year's Day, Memorial Day, Fourth of July, Labor Day, Thanksgiving Day and Christmas.

* * *

The election of F. J. Torrance Baker as Trust Officer of the **Fidelity Trust Company of Pittsburgh, Pa.** was announced on Sept. 11 by Alexander P. Reed, President, said the Pittsburgh "Post-Gazette" of Sept. 12, which added: "Mr. Baker has been associated with the law firm of Baker & Watts. He served in the war as Lieutenant Commander in the Navy."

* * *

At a special meeting of stockholders of the **Commercial National Bank of Snow Hill, Md.**, the bank was voted into voluntary liquidation so that the County Trust Co. of Maryland (the main office of which is at Cambridge, Md.), which maintains a branch at Snow Hill, could purchase the assets and assume the liabilities of the Commercial National. This, said the Baltimore "Sun" of Sept. 4, was announced jointly on Sept. 3 by William H. Holloway, President of the bank at Snow Hill, and Addison H. Reese, President of County Trust. From the "Sun" we also quote:

The Commercial National Bank was organized in Snow Hill in 1902 and has total resources in excess of $2,000,000. The County Trust Co. has assets of more than $47,000,000. County Trust has operated a branch at Snow Hill since 1926. Subject to approval of the Federal and State banking authorities, it is planned to make the deal effective Sept. 23.

* * *

Shareholders of the **First National Bank of Lake Forest, Ill.** have voted to increase the capital stock of the bank from $200,000 to $300,000. It is learned from the Chicago "Journal of Commerce" that it was also recommended that the surplus account of the bank be increased from $200,000 to $300,000. It is added that "the present plan is to issue the new shares on or about Oct. 31 at a $50 par value, present shareholders receiving three $50 par value new shares for each $100 par value share now held."

* * *

James S. Bush, former partner of G. H. Walker & Co., and more recently a Vice-President of **First National Bank of St. Louis**, has been elected a Vice-President of **Industrial Bank of St. Louis**, according to the Sept 15 issue of the "Globe Democrat" of that City.

European Economic Cooperation —Within or Without the UN?

(Continued from page 3)

done in Geneva during the last months under the auspices of the Economic and Security Council of U. N. to initiate regional European cooperation, and again as to whether the continuation of such cooperation may still be possible as an alternative to the final and definite split of Europe. There may be even the possibility of combining specific Western European cooperation with further economic negotiations on a broader regional basis under the auspices of U. N. along the patterns of the last months.

No possibility of this kind should be disregarded in view of the seriousness of the whole picture. We are indeed just entering the second act of Europe's postwar drama. Every way out of the present dilemma will have to be examined to prevent the appearance of a new *deus ex machina* in the third act of the European tragedy. It would be a *deus ex machina* in its proper sense. One knows only too well that this new protagonist would appear in the most modern role of the Atomic Bomb.

Background and Structure of ECE

In early May—just a few weeks after Moscow — the "Economic Commission for Europe" began its discussions here in Geneva as a sub-committee of the Economic and Social Council (ECOSOC) of the United Nations. A year ago ECOSOC during its First Session set the ball rolling by a resolution asking a newly established Economic and Employment Commission for advice on "problems of reconstruction of devastated areas." Last fall ECOSOC had before it a detailed economic report on the different European countries. It made the proposal to create an "Economic Commission for Europe," put forward jointly by the delegations of the United Kingdom, the United States and Poland. When this report was discussed, the USSR argued first that such a commission would seem to put too much emphasis on long-term planning instead of reconstruction aid to devastated countries. But finally the General Assembly recommended the formation of such a body and ECOSOC established in March one commission for Europe (ECE) and one for Asia and the Far East. While the latter will hold its first preparatory meeting in the Philippines in November 1947, the European Commission was put to work immediately.

The basic mandate of ECE within the framework of the United Nations, formulated in a somewhat diplomatic language, reads as follows:

(a) to initiate and participate in measures for facilitating concerted action for the economic reconstruction of Europe, for raising the level of European economic activity, and for maintaining and strengthening the economic relations of the European countries both among themselves and with other countries of the world;

(b) to make or sponsor such investigations and studies of economic and technological problems and of developments within member countries of the Commission and within Europe generally as the Commission deems appropriate;

(c) to undertake or sponsor the collection, evaluation and dissemination of such economic, technological and statistical information as the Commission deems appropriate.

The additional clause "that no action in respect to any country can be taken without the agreement of the government of that country" seems to limit and hamper a practical acitvity of the Commission. Such action, however, can always be taken insofar as the interests of the opposing countries are not affected, and the action limits itself accordingly (for instance on a special area). And while purely advisory functions of the Commission are stressed under (b) and (c) of the mandate, clause (a) gives the possibility of participating directly in "concerted action" for the economic reconstruction of Europe as a whole or parts of this continent, and for special regulatory activities.

Relation to German Economy

The question of the Commission's competence to concern itself with problems of German economy was much debated. The Council's resolution provides for consultation with the respective military occupation authorities and, by allowing "study of economic and technological problems of member countries" leaves the Commission free to study German problems insofar as they affect member countries and insofar as such studies can be carried out with the agreement of the occupying authorities. The possibility of participating in concerted actions according to (a) is thus not excluded. The European Coal Commission interfered already rather strongly with the economic administration of the Occupying Forces. Moreover, many countries participating in the ECE discussions stressed in their introductory speeches, that they are deeply interested in developing a coordinated economic European system, but not in theoretical studies and paper-work.

The further activities and studies will be built on the experiences of the above-mentioned "E-Organizations":

The European Inland Transport Organization (ECITO);

The European Coal Organization (ECO);

The former Emergency Economic Commission for Europe (EECE).

ECITO established through traffic in Europe after the war, especially through the occupied territories. Its Wagon Exchange Committee met weekly to balance the numbers of in- and out-going railway cars for each country. One of its main tasks was the traffic in coal. Besides the identification of looted railway cars and similar organizational measures are still going on.

ECO allocates coal between the various European countries including Ruhr coal. In its effort to assist in increasing coal production it is also acting as a channel for ordering mine machinery and studies prices, manpower and investments. A recent arrangement within the framework of ECO between the three western occupying powers for increased allocations of coal to France may have considerable importance, but has probably to be revised and supplemented by Polish coal exports and perhaps Middle-German brown-coal deliveries.

EECE—the real predecessor to ECE — performed all the other advisory and allocating activities thus far undertaken on a European reconstruction basis, as in food and agriculture (seeds, fish, draught horses, fertilizers, etc.) and last but not least concerning "Trade with Germany."

After the election of Gunnar Myrdal, the well-known authority on International Trade (who as the former Minister of Trade in Sweden was responsible for the hotly debated Swedish-Russian trade agreement) as Executive Secretary of ECE, deliberations were started in order to determine what to do with ECITO, ECO and EECE, all to be merged or brought in line with the new ECE.

Wide Representation

Eighteen European countries are represented in ECE thus far, with the exception of nations not yet members of U. N., as Austria, Finland, Hungary, Italy, Portugal, Spain, Switzerland and the Authorities of the German Occupied Zones. Active members are in particular also Russia (including the votes of Byelorussia, and the Ukraine), and the United States. The latter participates not only as an "occupying power," but in view of its broad economic interest in European and world reconstruction as a whole.

The participation of the above-mentioned countries which do not yet belong to the Commission is still under discussion (except for Spain which seems to be definitely excluded). But there is no doubt that countries like Switzerland will be admitted and especially invited in order to explain fully how their situation affects and is affected by the present uncertainty and turmoil in Europe. Additional contact with the four Occupying Powers in Germany is already resumed according to a particular suggestion of the representative of the United States.

A special question will be what arrangements the Council can make for consultation with the other branches of U. N. and with "Non-Governmental Organizations." The financial agencies established under the auspices of U. N. were continuously represented during the sessions by special delegates. The Food and Agricultural Organization (FAO) has already explained its special world-wide interest and activities in the regulation of timber, fish-supply, fertilizers, fats and oils, etc. ECE certainly will find a technical solution to avoid duplications, as it is only concerned and interested under the regional European aspect and the respective practical solutions. Many other organizations, as the International Chamber of Commerce and the World Federation of Trade Unions, have expressed a keen interest in an informative participation.

Handicaps and Results

After the two first sessions (from May 2-14 and from July 5-16) a third session is planned for January 1948 according to western-eastern patterns under the assumption that the general political circumstances do not interfere.

In fact, at a meeting of ECE on July 7, the Soviet representative V. Zorin objected strongly to the creation of the western Committee in Paris formed for answering the Marshall questions. The British and the French delegates on ECE expressed the hope that the USSR would feel it possible nevertheless to participate in the European program of mutual aid. A recent list of conferences scheduled for Geneva indicates that five meetings of ECE's newly created Sub-Committees will take place between September 22 and October 9.

During the two summer sessions ECE adopted its own Rules of Procedure. The official languages are English, French and Russian. As continuous translation into two other languages is a great handicap one should introduce as soon as possible the simultaneous reproduction in all the three languages as experienced in the room for the General Assembly in Geneva and during the Nuremberg trials.

The most important and hotly disputed paragraph is Rule 35. Against the voices of the USSR, Byelorussia, the Ukraine, Poland and Yugoslavia simple majority rule was introduced but may not be the final solution. Against the same votes the Executive Secretary was empowered to resume and continue consultation with the Allied Control Council in Berlin. By a letter of August 14, direct contact with the combined UK/US Zone Authorities has been established.

In other fundamental questions full unity has been reached. After the European Central Inland Transport Organization (ECITO) had made detailed recommendations, partly for termination, partly for the continuation of its functions, a new "Inland Transport Committee of the ECE" was established. Instead of the former EECE (Emergency Economic Committee for Europe) a Committee on Industry and Materials was created with four new Sub-Committees:

on Timber;

on Fertilizers;

on Alkalis;

on Electric Power and additionally a Panel on European Housing problems.

The former European Coal Organization (ECO), established in London in May 1945 for European allocation of coal, was taken over by a new Coal Committee which is to begin its activity not later than Dec. 31, 1947.

One general reservation was made by Russia to eliminate from the discussions the delicate Danube question: International waterways shall be exempted from the activity of the new Transport Committee of ECE. At the end of June an Economic Planning Division of ECE was organized and is ready to function.

The Prospects for the Future

Despite this progress in cooperation and agreement ECE may still have to prove practically whether and how far it can offer a working pattern for the economic problems of Europe and perhaps also for some German questions. A proposed resolution permitting the Executive Secretary to open up an office in the headquarters of each occupation zone as well as in Berlin was extensively discussed. Final decision on the relations with the zonal authorities was postponed until the next session. High politics will finally determine the future activity and efficiency of ECE. But only a practical test will show whether economic coordination excluding purely political problems can bring about inter-European solutions within the framework of U. N., helping simultaneously to solve German problems. Occasionally even the possibility of organizing the whole Ruhr problem within ECE has been considered as John Foster Dulles recently mentioned. All such speculations, however, are premature and can be overshadowed soon by coming political events. Nevertheless one should keep in mind that at least some joint work has already been practically initiated in the last months and has continued until most recent times.

Enormous Task

All this will present enormous tasks on a purely economic ground. Nobody within the different groups discussing ECE problems seems to expect at the moment a progress from the purely political angle, or from ambitious blueprints for a "Federated Europe." The Voice of Europe, which was really heard here in Geneva in these gatherings for the first time after the war, does not seem to expect now any practical help from well-meaning but over-optimistic formulas according to which "the type of Federal structure which has made the United States the richest nation of the world should be introduced just now in Europe." The discussion turns more realistically and more modestly around such problems as raw materials, exchange understandings and financial as well as monetary problems which have to be settled in the different countries as a precondition for the reconstruction of the European economies and for which Count Coudenhove hardly could give technical advice.

The present attempt to handle European problems on an economic basis—coordinating, not "unifying" the different interests in view of the present emergency situation of bad harvests and appalling starvation in western as well as in eastern areas—will take some time to be put in practice in addition to immediate emergency help. It will ask for sincere willingness of all participants to cooperate, for tenacity and magnanimity, for bold leadership and at the same time for much patience—though not so much patience that meanwhile the house burns down. The intricate and huge work of rebuilding European economies can easily be wrecked by the danger of Utopian or bureaucratic inefficiency, by lack of visionary initiative, by monkey wrenches and last but not least by political differences.

ECE is the first practical attempt at a constructive European solution "from inside," including the inevitable question of Germany as a part of this continent. The attempt has been made on a non-political, cooperative self-help and self-control basis, as the Marshall plan requests. It may be the last chance to discontinue the practice of the past two years, which consisted in doing too little and doing it too late. It may be the last chance to suppress — at least during the fire within the house—motives of naked selfishness which — to be frank — often loom in the background everywhere. On the verge of the abyss there is common danger, not only for Europe but for world peace. But perhaps the very imminence of that danger brings a strong hope for a new, economically cooperative Europe in the framework of a peaceful world, after the long period of horror, hate and destruction.

More attentively than in 1919 the warning voice of John Maynard Keynes should be heard by all the participants in the coming fateful conferences:

"The bankruptcy and decay of Europe, if we allow it to proceed, will affect every one in the long run. We may still have time to reconsider our courses and to view the world with new eyes. For the immediate future events are taking charge, and the near destiny of Europe is no longer in the hands of any man. The events of the coming year will not be shaped by the deliberate acts of statesmen, but by the hidden currents flowing continually beneath the surface of political history, of which no one can predict the outcome. In one way only can we influence these hidden currents—by setting in motion those forces of instruction and imagination which change opinion. The assertion of truth, the unveiling of illusions, the dissipation of hate, the enlargement and instruction of men's hearts and minds must be the means."

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Inflation continues to leave market cold. Until proof is seen, sidelines is recommended.

If there is any single thing significant about this market it is that inflation doesn't affect everything at the same time. That inflation was in the cards was no deep secret. Precedent pointed to it and the policies followed by the Government made it inevitable. The only place it didn't touch was the stock market, which again proves that the expected s e l d o m can be counted on by the buyers and sellers of stocks.

* * *

The question of timing is obviously of paramount importance in the buying or selling of stocks. To be right too soon, or too late, is debilitating to any account. Such a situation applies to trading at any time. It becomes particularly potent during an inflationary market. There is no point in enumerating the position of stocks today and compare them with prices a year ago. Such a comparison serves no useful purpose except to bring on heartburn. But if the average trader stuffed with earning forecasts, most of which became true, held on to some stocks, he knows what the score is today.

* * *

In the final analysis it is the stock market itself that gives the answer of what to expect. And despite the inflationary flames starting all over the place, it was market action w h i c h pointed to trends before and point to them today.

* * *

This brings it down to what about the immediate future, and here the answer is the same as it has been last week and the week before. The market shows so little that to buy anything now in the hope that it will show something in the reasonably near future is like tossing a coin.

* * *

Why it acts the way it does isn't any of my business, or rather if it is, I can't see how, if I know the reason, it will affect the trend one way or another.

* * *

The skyrocketing of commodity prices is an interesting phenomenon that means profits to those astute enough to take advantage of it. But by the same token it is possible that, with an election coming up, restrictive governmental clamps will be applied that will not do industry any good.

* * *

How all this will apply to the stock market is too early to say. The market itself continues to mutter in its beard, bestirring itself every now and then but never showing enough gumption to do anything about it. The averages have shown one favorable sign: they've hit the top of an old trading range and are kind of marking time. They could start an up move from such a position. But until they show it by positive, rather than negative performance, the stand taken here some weeks ago will have to remain.

* * *

More next Thursday.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

—Walter Whyte

Reynolds & Co. Offers ABC Vending Common

Offering of 145,000 shares of $1 par value common stock of the ABC Vending Corp. was made Sept. 23 by Reynolds & Co. The stock, priced to the public at $7.50 per share, has been oversubscribed.

Proceeds to be received by the company from the sale of 25,000 shares will be used for organization expenses and for other corporate purposes. The balance of 120,000 is being offered for the account of selling stockholders.

ABC Vending Corp. was formed in January of this year to acquire ownership and control of vending businesses previously conducted by various companies. The two major enterprises to be acquired by the company conduct vending businesses which have been under their present managements for approximately 20 years. The principal business of these companies is the sale of brand-name candies and other confections under the slogan "America's Best Candy," at stands and by automatic vending machines located in theatres and other places of public assembly.

The largest portion of merchandise offered by the companies consists of those nationally advertised brands of confections which have proven to meet customer acceptance most readily. The experience has been that such products are the most profitable.

For the six months ended June 30, 1947, net income after charges and taxes amounted to $521,385, equal to $0.74 per share of common stock to be outstanding upon completion of the offering.

A United States of Europe

(Continued from page 2)

of Europe. The present status of Turkey represents a certain rejuvenation.

Greece and Turkey

Economically however, conditions in Greece and Turkey are similar, i.e.: equally bad. Both are poor agricultural countries still in the primitive stage, with equally low yields per acre, both concentrating on the production of wool, tobacco, olive oil, figs, grapes, wines and dates for export. Industrialization almost zero. A small textile and mining industry—that's about all they have. The figures of electricity used show the poor status of their industrialization. In the beginning of the thirties, Greece consumed about 125 million kwh. of electricity a year. Turkey, the larger of the two countries, produced only 81 million kwh. a year as compared e.g. with 7,000 million kwh. a year produced by Philadelphia Electric alone. In the long run however, Turkey would make a very attractive partner in a merger with some industrialized country, not only for its magnitude (18 million inhabitants on 300,000 square miles equal to the combined size of California, Oregon and Washington as compared with 7.2 million population of Greece on 50,000 square miles, about the size of New York State) but on account of the tremendous richness of her soil. Great values are hidden below the surface of Little Asia which have been hardly touched. Turkey is rich in oil, iron ore, chrom, manganese, copper, lead, zinc, sulphur, arsenic and coal. And last but not least, Turkey owns what's the most valuable asset in present Europe: lumber. Turkey possesses 21 million acres of old ripe forests, an asset of highest value since Europe's woods were partially destroyed by the Germans. Whether the influence and cash assistance of the United States will prove strong enough to bridge the deep contrasts of these two worlds and a 3,000 year old mutual hostility (despite the Balkan non-agression pact of 1934) that is open to doubt because a customs union is more than the mere elimination of duty barriers between two countries.

Customs Unions

A customs union requires the abolition of a part of the sovereignty of each party in favor of a third subject which is to be created as the customs union. Countries which merge into one customs union must follow a common policy not only in their foreign trade relations, but their entire foreign policy must necessarily be coordinated, otherwise accidents occur like that recently suffered by Czechoslovakia. This country recently tried to separate her trade policy from her general foreign policy by joining the Marshall Plan. She could not succeed. Moreover, both parties of a customs union must agree upon equal taxation, on common postal and railroad rates, water and air rates and social legislation. There must be a common policy as to the issue of money, probably, they must have *one* common exchange *unit.*

Looking from this angle at the Iberian Penninsula, a customs union of any state with the totalitarian *Franco Spain* stands no chance at all of realization, not even one of discussion.

We see that the extreme *eastern and western* ends of southern Europe do not lend themselves to the establishment of customs unions. In the central part of Europe, however, *Belgium, Holland and Luxemburg* have already undertaken the first steps toward a customs union. It is worth mentioning that the new duty tariff of the Benelux union has adopted the *highest* tariff protection for meat and flour that has been in affect in any of these three countries, viz: in Luxemburg.

Out of the 15 European states there remain only two more countries for possible consideration of an economic merger: *France and Italy.* Fortunately, the idea of a customs union is being advocated in Paris and in Rome. Both countries show a considerable willingness to discuss the subject. Encouraging news from Europe indicates that soon concrete steps might be undertaken in this direction. The question arises whether an economic merger has any chances of success. We must try looking further than at short term needs. The *long range* conditions in both of the countries must be studied in all respects, before merging two countries, in order to avoid deadly mistakes.

In my opinion, the long term risk of any customs union lays in agriculture, not in industry. The adjustment of the industrial apparatus of any country to changed conditions has always been feasible. It might be a question of planning, of plant rationalization, of temporary subsidies or of reduction of excess production facilities. Substantially, such industrial adjustment is a matter of *money.* Not so in agricultural life. Farmers usually are people hard to handle and so is the soil. One can neither change the soil nor the European farmer within a few years. Changes in the methods of cultivation of soil are processes protracted over decades and farmers cling to extreme conservatism. Hence, one should be on the alert if the agricultural level of two candidates for a customs union markedly differs. Twenty years of experience by Czechoslovakia might teach us a lesson.

Position of Czechoslovakia

In 1918 Czechoslovakia emerged out of World War I as an independent country, formed out of segments of the former Austro-Hungarian monarchy. Three segments of vast difference in nature and economy were allocated by the peace conference in Versailles to form a new Czechoslovakia: (a) Bohemia-Moravia-Silesia, the highly industrialized western sector with a highly developed agriculture. The progressive farmers in Bohemia and Moravia used to harvest 25-29 quintals (one quintal equal to 220 lbs), per hectare (2.47 acres); (b) Slovakia the middle-eastern part of the republic, to a great extent an agricultural mountainous state with a small textile and paper industry. Farming in Slovakia was done on a much lower level than in Bohemia and Moravia. The Slovak farmer harvested about 15 quintals per hectare; (c) Podkarpatska Rus (now taken by the Russians) where the farmers harvested 10-11 quintals and even less in the mountains. Segments on three different economic levels were merged into one market. As the price for wheat was the same throughout Czechoslovakia, unfavorable consequences could not fail to appear. The progressive farmer in Bohemia received—on an equal area—yield and revenues more than double that of his poorer brethren in Slovakia and Podkarpatska Rus. The farmers in Bohemia and Moravia could support a much higher standard of living; they could steaditly reduce their indebtedness while the mortgages on the farms in Slovakia and Podk. Rus rose from year to year. The farmer in Slovakia whose working methods were outmoded remained a poor man; naturally, he envied the brother in Bohemia and his growing wealth. The envy of the poorer part of the population against the richer part soon changed into political bitterness and antipathy, and the brotherhood of Czechs and Slovaks which brought Czechoslovakia into life resulted at first in estrangement and soon in open enmity on the part of the Slovaks against the Czechs. This has been one of the roots of the serious inner difficulties in Czechoslovakia which never could be eradicated.

In 1939 and 1940, the Czech Government in exile studied the idea of a customs union with Poland to be realized after the war. The fact that farming in prewar Poland was done on an even lower level than in Slovakia and that the yields per hectare could not stand any comparison with the yields reached in Czechoslovakia was considered as the severest hindrance. Later on, Russia's influence suddenly killed the idea of a Czech-Polish customs union.

France and Italy

France as well as Italy are countries of arts, letters and science; are nations of festivals and gayety, of old and high culture; their populations are industrious and thrifty; nonetheless, both of them are largely agricultural nations. In France, only 12% out of 40 million of inhabitants is employed in manufacturing and less than 1% in mining. In Italy, only 3,000,000 (7.1%) out of 45 million population are industrial workers: 70,000 are employed in mining. After World War I, France had started to evolve into an industrialized nation, but this evolution was interrupted by World War II. In Italy as well as in France, agriculture still plays an overwhelming role. Hence, it is necessary to look at Italy's and France's agriculture before weighing the chances for a customs union. Here are some figures of comparison. The figures of some other countries are added to illustrate how vastly different the conditions are in Europe.

Potatoes. Yield in quintals per hectare (2½ acres).

Year	Italy	France	Czecho slovakia	Holland
1926/30	55	96	123	220
1931	47	114	135	218
1932	68	116	126	243
1933	59	106	111	239
1934	67	118	128	292
1935	53	101	102	266
1936	63	107	141	---
1937	76	110	---	---
1938	69	121	---	---

Italy and France show a wide difference in the yield of their potato crops per hectare, but fortunately, the potato does not play a big role in Italy's menu. Only 422,000 ha are planted with potatoes in Italy as compared with 5,172,000 ha for wheat, 3,926,000 for grapes and 1,282,000 for corn. In France however, the potato is one of the main features. 1,404,000 ha are planted with potatoes; the wheat area reached an average of about 5,059,000 ha, oats 3,278,000, hay 2,908,000 and grapes 1,474,000.

Wheat, yield in quintals per hectare.

Year	Italy	France	Czecho slovakia	Holland
1926/30	12.4	13.9	17.1	29.8
1931	13.8	13.8	13.5	23.6
1932	15.3	16.7	17.5	29.1
1933	16.0	18.0	21.6	30.5
1934	12.8	17.0	14.6	33.1
1935	15.4	14.5	17.5	29.4
1936	11.9	13.4	16.3	29.2
1937	16.32	13.0	---	---
1938	16.56	18.9	21.06	31.1
1939	16.15	16.5		

The wheat statistics shows very close yields per hectare in Italy and France. The table above shows also the comparatively high standard of Czechoslovakia.

Tops in prewar Europe were Holland, Belgium and Germany.

Corn (Maize), yield in quintals per hectare.

Year	Italy	France
1926/30	16.4	12.9
1931	13.9	18.1
1932	20.8	12.0
1933	18.1	12.9
1934	21.5	15.0
1935	17.3	16.6
1936	20.4	15.9
1937	15.6	23.2
1938	17.5	20.1
1939	18.4	---

Sugar Beets, Yield in Quintals per hectare.

Year	Italy	France	Czechoslovakia	Holland
1926/30	256	265	259	336
1931	216	260	282	274
1932	297	285	271	381
1933	262	270	201	410
1934	296	307	267	423
1935	252	274	233	371
1936	217	280	308	365
1937	264	---	---	376
1938	239	258	---	345

In comparing the yields of sugar plantations, a comparison of the weight of the beets harvested per hectare does not tell the story. More important is the sugar content of the beets harvested. The sugar content of the French beets has generally been rather low. Was about 13.3% sugar content on the average in the last 5 years before the war. It was higher in Italy and much higher in Czechoslovakia.

The tables presented above do not reveal sharp contrasts between the agricultural level in France and Italy. Agriculture would hardly be any hindrance to a customs union, as the tables above (though they represent only a certain part of the agriculture) reflects in a true way the conditions in both of the countries. A favorable forecast might be read from the tables presented.

The mutual trade between France and Italy was very small. Before the war, not more than one to four per cent of the French export went to Italy, and not more than one to two per cent of the French import originated in Italy. Nonetheless, both of the countries would make a very strong customs union. The new unit would count more than 82 million of consumers in Europe in addition to another 70 million population in France's rich colonies.

There are hardly any basic difficulties for a customs union between France and Italy.

Conclusion

To sum up, the outlook for a United States of Europe is dark, at the time being. Only a partial realization of the Marshall plan is probable, a customs union between France and Italy in addition to the customs union of Belgium, Holland and Luxemburg which is in the making. Should both of the customs unions succeed in developing favorable conditions in the respective countries, the day should not be too far when the two custom unions will merge into one gigantic market.

Our Role in European Recovery

(Continued from page 9)

others to get on their feet, and keep the peace of the world?

The Marshall Plan

Secretary Marshall has anwered this question in the statement known as "the Marshall Plan." I should like to discuss three aspects of this plan: First, it is not a plan but it is an approach to the solution of an enormously complicated problem. Second, he has placed the responsibility for initiative upon those who hope to participate in any program of American assistance that may be developed. Third, he has established as a prerequisite to American assistance that European countries make a program to help themselves and to help one another restore their productivity. The Marshall program is predicated upon European self respect: It presupposes that its beneficiaries shall not consider themselves as objects of charity but as worthy men temporarily in difficulties who will largely aid themselves if aid is given to them to aid themselves.

Sixteen European nations are now at work in Paris developing their program of mutual aid. President Truman has appointed an American committee made up of 19 distinguished American private citizens, which is working with me to develop recommendations on the aid we can safely and wisely give. Theory without facts is dangerous and consequently the work being done by our committee is of vital importance. Once we are in possession of all the facts, there will be a basis for developing a workable program.

As an illustration of self help under the Marshall program there is coal. My good friend, Mr. Bevin, whom I have known well both during and since the war, has been making public suggestions as to courses of action which the United States might pursue in aiding European reconstruction. One of Mr. Bevin's engaging qualities is his complete frankness. Whether or not his suggestions are sound, I feel that we should understand that he brings frankness and sincerity to international discussions. His public remarks on what we might do make it easier for me to discuss publicly what I feel Britain should do in contributing to its own recovery and the reconstruction of Europe.

The immediate and urgent needs of Western Europe are coal and wheat. Without coal the wheels of our civilization stop. Britain can make them turn faster if she would mine as much coal as she did before the war. It is too complicated a situation to discuss all of the factors that have led to the present low production of coal in England but we should recognize that it is due in large measure to Britain's all-out war effort. Men were taken freely from the mines for military service when Britain was concentrating on putting in the field the maximum military forces and producing the maximum industrial production needed. Britain exported before the war about 40 million tons of coal, largely to such countries as France and Italy. It was natural that she should shrink her exports when the Nazis occupied these countries. Her problem now is to increase production to the prewar level. At the present time, however, British coal is not only insufficient for British needs but there is none for export. We are witnesses, therefore, to the astonishing spectacle of American coal literally being carried to Newcastle. Britain certainly cannot pull her oar in the world boat unless she produces sufficient coal first of all for her own needs, while if she is to become an active partner in the European group seeking recovery she must again ship coal abroad.

If Britain should increase her coal production from the present rate of less than 200 million tons this year to 245 million tons, her prewar production, two important results would be effected. The first is that she would save dollars spent here for coal which because of high ocean freight rates now costs her about $20 a ton. The second is that if she could export from 30 to 40 million tons to European countries this would increase their industrial productivity, provide her continental goods, and relieve the dollar requirements of European countries now buying coal from us. Thus Britain could decrease Europe's dollar requirements by something in the neighborhood of $700,000,000 to $800,000,000 a year, furnish coal to others at a lower cost, and increase her buying power in other countries. I feel that in the Paris proposals Britain will come forward with a program along these lines. We all hope that she will make every effort to increase her coal production as rapidly as possible, for there is no other way by which she can make so great a contribution to her recovery and that of Europe.

Increase of coal production in the Ruhr is of equal importance. It is encouraging that we have agreed with Britain on plans to expand the Ruhr coal production, now only about 50% of prewar. Although I believe that some results can be obtained promptly, the expansion of coal mining in the Ruhr and in Britain will require additional time to obtain maximum results. It will therefore be necessary for us to ship substantial quantities of coal to Europe for the next year, and beyond that time in diminishing quantities.

Wheat Needs

And now let me turn to wheat. The program of self-help envisaged by Secretary Marshall is impossible unless we supply food to the Western European countries. Why do they lack food? Western Europe is one of the world's most highly industrialized areas. It has long had to import a large part of its food from Eastern European countries and also from the Western Hemisphere. Yet Western Europe normally produced large quantities of wheat, potatoes and other food crops. During last winter and spring, however, this area suffered the most unfavorable weather experienced perhaps in a century, and the quantity of grain produced was sharply diminished. In order to offset this loss, every effort was made this summer to increase the production of potatoes and summer crops. Again calamities occurred. In France, for example, the drought conditions were, I am told, the worst that had been experienced in over 40 years. As a result, the food deficiency of Western Europe is greater than was thought possible.

Here in this country we have had better luck. This year we produced the greatest wheat crop of all times—nearly 1.5 billion bushels. This was due not only to favorable weather conditions but also to the policies of the Department of Agriculture in stimulating wheat acreage and production. Unfortunately, we have a short corn crop. It is substantially below last year and less than in any year during the past ten years. We not only have no surplus of corn to ship abroad but it is short to feed our large livestock population.

Where We Stand

Let us see where we stand. Without adequate exports of food to Europe no recovery plan can succeed. Hungry and hopeless men cannot work efficiently. Anarchy and chaos may well ensue and the kind of world to which we aspire will be impossible to attain. Our welfare is inseparably bound up with the welfare of Western Europe. That area, in turn for a time at least, depends upon adequate shipments of American food.

What shall we do about it? There are only three ways, I believe, in which wheat can be made available from the United States in sufficient quantities to deal with the urgent need of human beings abroad. The first is to bid up the price of wheat to a point where it will not be profitable to feed it to animals. This seems to me to be impracticable from the standpoint of our own economy. The price of wheat and animal products might rise so high that there would be a natural demand of labor for increased wages, and we would be off again on another spiral of increases of prices in all fields.

The second is to reinstitute government controls. Even if it were considered desirable to do so, adequate controls could hardly be established in time to be effective during this crop year.

The third way was suggested last week by Mr. Chester Davis, who is a member of the President's committee of 19 distinguished citizens on European reconstruction: that the American people voluntarily reduce their consumption of animal products. I believe this suggestion deserves earnest consideration. I am discussing it today in order that you may weigh the alternatives and consider the interests of the United States that are at stake.

There is no lack of wheat here for bread. There will be an adequate supply of meat, and other animal products, if we are content to consume them at a reasonable level. If, however, in the presence of a lowered corn crop we turn to wheat as a source of animal food and pour millions of bushels of it down the gullets of animals and poultry, there will not be enough left over to supply Western Europe with its minimum needs.

Danger of Famine Conditions

Famine conditions breed the political chaos on which dictatorships have always thrived. We all know that the forces of Communism plan to seize power at the opportune moment—the moment, that is, of chaos—and retain power permanently with the establishment of the police state. The American people must decide whether our wheat is to go to hungry people in Europe or whether too much is to be consumed by animals and poultry in this country. Here let us remember that wheat is about seven to ten times more effective in sustaining life if eaten by human beings than are the food products obtained from feeding animals. We have been consuming more animal products than ever before—for instance 25% more meat per capita than prewar—but since we are well supplied with hay, soy bean and cottonseed meal and a still substantial corn crop, I believe that if wheat is not abnormally diverted to feed animals in this country, there will still be adequate supplies of animal products at more reasonable prices for our own people provided we are careful in our consumption. In other words, I believe there is enough to go around, with all of the other foods available, if each of us exercises a degree of restraint and if all will cooperate.

The American people have grave decisions to make at this time. Secretary Marshall and others of the Administration have been giving information on the serious developments in Europe. Congressional leaders will be returning shortly with their first-hand observations. I have confidence that the American people will meet this crisis as they always have with characteristic understanding and determination.

A democracy such as ours must have regard not only for a high standard of living but also for a high standard of life.

David Van Alstyne, Jr. Appointed Director

Warren Bowman, President of Bowman Gum, Inc., has announced that David Van Alstyne,

D. Van Alstyne, Jr.

Jr., Senior Partner of Van Alstyne, Noel & Company, Inc., New York City, has been appointed a director of Bowman Gum, Inc. of Philadelphia.

Business Man's Bookshelf

Economic Activities of the People of the United States—An accounting report of the National Economy, 1946—Franzy Eakin—Economic Accounting, Inc., Decatur, Ill.—paper—50c.

Forecasts Which Went Wrong—Brookings Bulletin—also contains summaries of significant books on Presidential power and the ITO charter—The Brookings Institution, Washington, D. C.—paper.

Income and Employment — Theodore Morgen—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—cloth—$4.35.

Metropolitan Life, The — A Study in Business Growth — Marquis James—The Viking Press, 18 East 48th Street, New York 17, N. Y.—cloth—$5.00.

Union-Management Co-operation—Experience in the Clothing Industry — Kurt Braun — The Brookings Institution, Washington, D. C.—cloth—$3.00.

Russian-American Trade—Mikhail V. Condoide — Citizens Conference on International Economic Union, 370 Lexington Avenue, New York 17, N. Y.—paper.

Who Gets the Railroad Dollar?—Dr. Jules Backman — Eastern Railroads Presidents Conference, Committee on Public Relations, 143 Liberty Street, New York 6, N. Y.—paper—no charge.

Why Kill the Goose?—Sherman Rogers—The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—paper 75¢ per copy.

Your Career in Banking—Dorcas Campbell—E. P. Dutton & Co., Inc., 300 Fourth Avenue, New York 10, N. Y.—cloth—$3.

W. L. Renick, Jr., With J. Barth & Company

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—W. Leonard Renick, Jr., has been added to the staff of J. Barth & Co., 482 California Street, members of the New York and San Francisco Stock Exchanges. In the past he was with William R. Staats Co.

Securities Salesman's Corner

By JOHN DUTTON

There is a cure for dull business. But you must not follow the crowd. The securities business is different than many other lines of endeavor. Security selling is essentially a creative activity. You must sell ideas. You do not sell pretty pieces of paper. Most intangibles are sold by first presenting an idea. When you work in the realm of ideas it is vital to your success that the power of suggestion which is all around us does not turn itself inward and create negative thinking (resulting in unsuccessful accomplishment) instead of positive ideas that generate sales.

During inactive periods in the securities business the cycle of pessimism becomes exceedingly depressing to all who are exposed to it. Salesmen are naturally affected by their surroundings and since they are endowed with a higher degree of creative imagination they can become unsold upon just about everything, including the business in which they are engaged. This is what has happened to many good producers during the past year. This same thing has happened periodically before in the investment business. If you wish to start doing business again the first thing to do is regain perspective.

A new man will come into the business occasionally and start out to sell something such as an investment trust. He has one simple story to tell and he goes out and tells it. He doesn't steep himself in information regarding the foreign situation, the destructive forces at work in the economy and politically, the latest on various strikes in progress and pending, nor the conflicting theories of market letter writers as to whether the Dow-Jones Averages are going down 10 points or up 10 points. He just goes out with his story, he believes he has a good product and he does business. When he meets an objection he either covers it intelligently or doesn't overemphasize its importance by agreeing with his prospect that the world will blow up anyway in a few years so why buy securities or anything else for that matter. He has a fresh, clear view, uncontaminated by pessimism.

It is a shame that often an entire sales organization becomes so steeped in statistical gloom and pessimistic lethargy that the salesmen themselves do not know how to pull themselves out of the rut. Overemphasis on boogy-boos has always been the bane of this business. The public sells the salesman a bill of goods when times are like they are today. But Hetty Green, Baron Rothchild and the other famous long pull speculators of history made their fortunes by capitalizing upon their ability to resist the forces of bearishness around them.

These things can help: Stop trying to figure out every phase of what is going to happen to the world in the next six months—or for a few years for that matter. You know enough about these things now—too much in fact—so stop reading about it for a while. If you have to do so be a headline reader and just keep posted on the highlights. Don't listen to anymore bellyaching around the office. Let those who want to warm the seat of their pants on the office chair do so, but go out and see people. It is a good idea for the sales manager to get the office emptied out early in the morning. Those who have have a reason for staying at their desk naturally should stay there, but if you have some loafers around let them do it somewhere else (or get rid of them if they can't be reasonable about this thing). Find someone in your organization that is willing to become a lead horse. Have a confidential talk with him and tell him you want him to go out and show the other men that business can be done. Compensate him for good results with an extra bonus. Once he starts to make sales and bring in some substantial business the natural result is that the entire organization begins to say, "Look at those commission checks, I guess I'd better get out and do it too." Once a winning spirit is revived you are on the way to better times and your own private "bull market."

What Future for Capitalism?

(Continued from page 7)

high taxation, too much central control and planning will eventually make it extremely difficult for a capitalist system to work effectively. And if we start on the road of decay, the chance of capitalism surviving will grow progressively less. There are, however, in Sweden important checks and balances in this process. The very strong cooperative movement with a majority of socialist members—believes decidedly in a free-enterprise system and likes to preserve it. Also, the trade unions realize to a considerable extent the importance of a large sector of free enterprises, with which they can deal without state interference. The trade uions in Sweden don't like to be government-controlled.

"On the other hand, the entrepreneurs have a clear understanding of the necessity of a modified planning. There will be no increase in the working population in Sweden during the coming 15 to 20 years. State control of the location of new firms has been generally accepted as necessary under conditions of very scarce labor supply. Because of this population development, the demand for new dwellings will shrink rapidly in coming years. This demand will be fully satisfied by plans for the rebuilding of old houses and rebuilding our cities. Government financing and detailed regional plans will furnish the framework under which private and cooperative constructions firms are to work.

"These are examples of the Swedish way of meeting the problem. According to my view, the conscious acceptance of the free-enterprise system—although in modified form—by the working classes and the acceptance of central planning—to a certain extent —by the entrepreneur affords hope of favorable compromise solutions from time to time. In a socially fairly homogenous society such as the Swedish, there are many well-tried ways of keeping an effective, although modified capitalist system working within the framework of government control and planning. But the necessary conditions to this end are as we have pointed out, that the world turns more peaceful and furnishes opportunity for freer international trade, that no serious lasting depression occurs in the United States and that we in Sweden fairly soon come out of our current acute difficulties."

* * *

Sauvy Says It's Capitalism vs. Communism

Alfred Sauvy, professor at the Institute of Political Science, Paris, France, held the fate of capitalism will depend on the success or failure of its main competitor, communism.

"In accordance with the industrial concentration, the fluidity which is necessary to classical capitalism is no longer sufficient," he stated. "This fact, however, is so well known that there is no necessity to enlarge upon it.

"In all countries, public expenditures increase, in the long run, at a higher rate than national income; therefore, capitalism must be geared to high taxation without however acting as a brake to production.

"This phenomenon is enhanced by the aging of the population which will continue for, at least, another 30 or 40 years. A considerable part of adult production will continue to be allotted to old people. At the same time, to remedy to the aging of the population, the adult generations must maintain a sufficient number of young people to insure their replacement.

"The moral consequences of the aging are even more important than the material ones. Through a strange contrast, it is at this time when our techniques are at their most rapid stage of development, that we find the greatest proportion of persons born half a century ago.

"The fate of capitalism rests, on one hand, upon the success or failure of its main competitor, communism.

"It seems very doubtful that, in the long run, one single technique can entirely satisfy two entirely different regimes. If the hypothesis of a brutal rupture is excluded, one must expect a slow, very slow, evolution of both communism and capitalism towards a new regime, but through a different way.

"In conclusion, I believe that capitalism, if it is to survive, must undergo profound modifications which are necessary to maintain its vitality."

* * *

Rao Predicts Capitalist Doom

V. K. R. V. Rao, professor of Economics at the University of Delhi and member of the Food and Agriculture Organization of the United Nations, spoke at length on the conclusion that capitalism is doomed in both the Eastern and Western Hemispheres. "Surely, at least, there is no possibility that the new India will be built up on free enterprise techniques." A third World War, he prophesied, would be sure to drive the last nail in the coffin of capitalism.

* * *

The French Outlook

During the panel discussion conducted under the chairmanship of A. Wilfred May, member of the New School faculty, Jacques Rueff, member of the French delegation to the United Nations, and Chairman of the Inter-Allied Reparations Commission, stated that while an additional loan to his country from the World Bank is of the utmost importance, France should recover in any event.

* * *

Dr. Max Winkler, international exchange authority, of Bernard Winkler and Company, maintained that the generally unrealized amount of foreigners' valuable assets invested in this country should be liquidated to keep international relief extensions within bounds and so ameliorate the breakdown of international exchange relationships.

* * *

Dr. Bryn Hovde, President of the New School, and former U. S. delegate to UNESCO, who had the same day returned from a three-month trip of investigation, paid fulsome praise to the American system, adding that its continuance must be premised on the maintenance of civil as well as material liberties, including freedom of the press.

Observations

(Continued from page 5)

tatives of American capitalist monopolies, by representatives of the largest enterprises and leading branches of American industrial and banking and financial groups. These are the groups that have received from the second World War great profits, as it was the case in the first World War."

And he concluded by citing an array of profit figures from the CIO's "Economic Review" that **"in some countries war is not so hateful after all to those groups of society that skillfully utilize the hardships of wartime for the purposes of enrichment."**

Mr. Wallace Goes Along

Similarly we in Madison Square Garden a fortnight ago heard from Mr. Wallace that "the war-with-Russia hysteria is a propaganda weapon of reactionary capitalism. People the world over are paying for it in an armament race which is criminal in a world that can't stand another war. . . . I say until you lick reactionary capitalism and the scarcity and war talk it stands for—peace, jobs, and freedom will be in danger in every country in the world. . . . The mountain of condemnation of Soviet Russia does not hide the moral weakness of our policy. We cannot defend corporate interests abroad in the name of 'civil liberty'."

And in New Jersey last Saturday that *"I hope we can work out an end of this (cold war) before it becomes a hot war. I distrust our administration whose key policies are being determined either by military men or Wall Street men. The policies of reactionary capitalists are leading into a third world war."*

Capitalist Stupidity Assumed

Incidentally one seemingly absurd assumption connected with these recurrent capitalist war-mongering charges is that it assumes complete ignorance by the monied interest concerning their own good. The totalitarians and their fellow-travelers on the one hand realize and recurrently express the fact that another war would mark the final gasp of capitalism, but they assume that the capitalists themselves are too dumb to realize it. And all in the face of the fact that the Russians (again this week) and the Wallaceites (continually) accuse the monied interests of having prompted the Hitler appeasement.

The Churchill Ogre

Second only to their common charges of war-mongering and of domination of the American press by "the capitalists" has been the frenzied excoriation of Winston Churchill by Messrs. Hitler, Vishinsky, and Wallace.

"On all occasions the British fought against Europe and at the head of the movement stood the man I have often mentioned, Churchill. All attempts to draw closer to that man failed because of these words stubbornly repeated, 'I need a war.' "—Hitler at Berlin Sportspalast, Jan. 30, 1942.

AND

"Only a simple-minded ass will be impressed by offers of friendship to Germany . . . nobody can deny that Churchill was one of the most dangerous war-mongers of all times."—"Mein Kampf" unabridged edition, p. 699.

And from Mr. Vishinsky at Flushing Meadow we learn that "the American reactionaries are not alone in these efforts of theirs . . . the family utterance of the Churchills by themselves would be of little interest to anybody. But they are an indicator of that black work which is being carried out in certain British circles against the cause of peace and which is directed to organizing a new war no matter whether in the form of repeating Churchill's notorious military crusade against Russia or in any other form."

In Mr. Wallace's eyes also, Mr. Churchill and the U. K. appear as the waving of a red flag before a bull. In his famous speech at Madison Square Garden which cost him his Cabinet job a year ago, Mr. Wallace speaking of Anglo - American mutual defense plans said:

"To the military men, the British Isles are our advanced air base against Europe. . . . We must not let British balance-of-power manipulations determine whether and when the United States gets into war. We must not let our Russian policy be guided or influenced by those inside or outside the United States who want war with Russia. I believe that we can get cooperation once Russia understands that our primary objective is neither saving the British Empire nor purchasing oil in the Near East with the lives of American soldiers. We cannot allow national oil rivalries to force us into war."

The Anti-League Attitude

Berating the respectively existing world organizations still seems to be another common characteristic of the totalitarian Germans and Russians. On Aug. 6, 1936 in an interview given to the North American Newspaper Alliance in Berlin, Herr Hitler said: *"The old Geneva League of Nations system contributed only one-sidedly toward the vital functions of Europe and the world as a whole. A new system, based on reason and justice, is needed."*

And now from Mr. Vishinsky, reflecting his country's historic feud with the League:

"The policy to use the organization (UN) by individual states for the purpose of achieving their own selfish narrowly conceived interests leads to undermining the organization's prestige, same as it had place (?) with the grievous memory (?) League of Nations. . . . The unsatisfactory state of affairs with regard to the work of the United Nations organization is not an accident but a result of an attitude toward the organization on the part of a number of members, U. S. A. and Great Britain first of all."

* * *

Re-perusal of the Hitler oratory gives the impression of greater plausibility and general effectiveness, in its objectives toward undermining the morale and dividing the citizenry of "enemy" countries. (and his spelling was far better). Domestic persuasion of their own subjects would seem to be the Russians' main objective, judging by their conformity with the Wallace line, by the current reports from Moscow of their jubilation over our supposed "panic" over the Vishinsky "revelations", and by the apparent unsuitability for his people's home consumption of Mr. Vishinsky's voluminous documentation, as on American corporate statistics. Perhaps, of course, the German "lawyer" 10 years ago was arguing a better case in the political sphere. In any event, comparative appraisal of the two authoritarian outpourings is, far more than the oratorical display factors, important in indicating the real status of UN as well as of world peace. For the parliamentary squabbling in the Organization's proceedings, over rules as those even governing the use of the veto, are symptoms rather than causes. The causes, measuring the present status of peace and the possibility of its maintenance, are contained in the underlying attitudes of the controlling Great Powers — the Soviet and the United States.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available (dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date):

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 28	94.1	89.4	93.4	90.4
Equivalent to—					
Steel ingots and castings produced (net tons)	Sept. 28	1,646,700	1,564,400	1,633,700	1,593,200
AMERICAN PETROLEUM INSTITUTE:					
Crude oil output—daily average (bbls. of 42 gallons each)	Sept. 13	5,217,300	5,173,050	5,159,150	4,773,250
Crude runs to stills—daily average (bbls.)	Sept. 13	5,318,000	5,246,000	5,202,000	4,886,000
Gasoline output (bbls.)	Sept. 13	16,505,000	16,205,000	16,056,000	14,892,000
Kerosine output (bbls.)	Sept. 13	2,156,000	1,917,000	2,093,000	1,957,000
Gas oil and distillate fuel oil output (bbls.)	Sept. 13	6,053,000	6,337,000	6,061,000	5,601,000
Residual fuel oil output (bbls.)	Sept. 13	8,855,000	8,706,000	8,831,000	8,209,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 13	82,509,000	83,336,000	84,983,000	87,313,000
Kerosine (bbls.) at	Sept. 13	21,832,000	21,192,000	18,808,000	20,613,000
Gas oil and distillate fuel oil (bbls.) at	Sept. 13	57,619,000	56,763,000	51,685,000	57,340,000
Residual fuel oil (bbls.) at	Sept. 13	56,168,000	56,168,000	54,000,000	56,238,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 13	922,360	809,050	906,305	907,169
Revenue freight rec'd from connections (number of cars)	Sept. 13	682,209	634,314	686,019	680,540
CIVIL ENGINEERING CONSTRUCTION, ENGINEERING NEWS RECORD:					
Total U. S. construction	Sept. 18	$90,627,000	$146,229,000	$109,382,000	$116,751,000
Private construction	Sept. 18	45,897,000	82,511,000	65,991,000	82,796,000
Public construction	Sept. 18	44,730,000	63,718,000	43,391,000	33,955,000
State and municipal	Sept. 18	33,550,000	46,743,000	41,274,000	32,903,000
Federal	Sept. 18	11,180,000	16,975,000	2,117,000	1,052,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 13	12,600,000	*10,740,000	11,750,000	12,888,000
Pennsylvania anthracite (tons)	Sept. 13	1,169,000	946,000	1,060,000	1,251,000
Beehive coke (tons)	Sept. 13	135,800	119,300	129,100	125,900
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Sept. 13	290	265	225	293
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 20	4,977,141	5,053,300	4,952,876	4,506,988
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Sept. 18	73	75	59	19
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 16	3.19141c	3.19141c	3.19141c	2.70711c
Pig iron (per gross ton)	Sept. 16	$36.93	$37.08	$37.35	$28.13
Scrap steel (per gross ton)	Sept. 16	$37.75	$37.75	$37.92	$19.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 17	21.225c	21.225c	†	14.150c
Export refinery at	Sept. 17	21.325c	21.350c	21.175c	16.425c
Straits tin (New York) at	Sept. 17	80.000c	80.000c	80.000c	52.000c
Lead (New York) at	Sept. 17	15.000c	15.000c	15.000c	8.250c
Lead (St. Louis) at	Sept. 17	14.800c	14.800c	14.800c	8.100c
Zinc (East St. Louis) at	Sept. 17	10.500c	10.500c	10.500c	8.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Govt. Bonds	Sept. 23	122.14	122.24	122.52	121.11
Average corporate	Sept. 23	115.63	116.02	117.00	116.61
Aaa	Sept. 23	120.43	120.84	121.88	120.84
Aa	Sept. 23	118.80	119.20	120.22	119.20
A	Sept. 23	115.43	115.82	116.80	116.61
Baa	Sept. 23	108.16	108.70	109.97	110.52
Railroad Group	Sept. 23	110.88	111.07	112.37	112.93
Public Utilities Group	Sept. 23	117.00	117.40	118.40	117.80
Industrials Group	Sept. 23	119.00	119.61	120.43	119.61
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Govt. Bonds	Sept. 23	1.50	1.49	1.51	1.65
Average corporate	Sept. 23	2.87	2.85	2.80	2.82
Aaa	Sept. 23	2.63	2.61	2.56	2.61
Aa	Sept. 23	2.71	2.69	2.64	2.69
A	Sept. 23	2.88	2.86	2.81	2.82
Baa	Sept. 23	3.27	3.24	3.17	3.14
Railroad Group	Sept. 23	3.12	3.11	3.04	3.01
Public Utilities Group	Sept. 23	2.80	2.78	2.73	2.76
Industrials Group	Sept. 23	2.70	2.67	2.63	2.67
MOODY'S COMMODITY INDEX	Sept. 23	428.2	438.1	421.7	335.3
NATIONAL FERTILIZER ASSOCIATION—WHOLESALE COMMODITY INDEX BY GROUP—1935-39=100:					
Foods	Sept. 20	234.0	234.0	224.2	178.8
Fats and oils	Sept. 20	222.0	222.2	176.4	186.2
Farm products	Sept. 20	261.9	266.1	256.4	211.8
Cotton	Sept. 20	303.0	302.0	323.3	348.8
Grains	Sept. 20	284.9	292.0	270.2	212.4
Livestock	Sept. 20	256.9	260.5	246.7	190.4
Fuels	Sept. 20	190.6	*190.6	*186.4	154.2
Miscellaneous commodities	Sept. 20	168.6	167.3	163.6	143.5
Textiles	Sept. 20	216.3	215.5	217.0	206.4
Metals	Sept. 20	159.1	159.1	159.2	124.5
Building materials	Sept. 20	226.6	*226.6	225.8	178.6
Chemical and drugs	Sept. 20	149.6	*149.6	149.7	128.2
Fertilizer materials	Sept. 20	134.0	132.6	130.8	120.7
Fertilizers	Sept. 20	135.7	135.5	135.5	125.1
Farm machinery	Sept. 20	127.1	127.1	127.1	115.4
All groups combined	Sept. 20	212.6	*213.5	*207.5	170.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 13	180,203	196,986	165,092	151,407
Production (tons)	Sept. 13	186,174	139,886	182,090	172,476
Percentage of activity	Sept. 13	103	79	100	101
Unfilled orders (tons) at	Sept. 13	472,229	478,283	470,581	593,213
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Sept. 19	142.6	141.6	139.7	137.0
WHOLESALE PRICES—U. S. DEPT. LABOR—1926=100:					
All commodities	Sept. 13	157.4	154.9	152.7	121.7
Farm products	Sept. 13	187.3	182.4	181.4	151.8
Foods	Sept. 13	180.9	174.1	172.3	128.1
Hides and leather products	Sept. 13	185.2	183.2	177.8	139.7
Textile products	Sept. 13	140.4	140.3	139.7	117.5
Fuel and lighting materials	Sept. 13	114.4	114.4	111.0	95.2
Metal and metal products	Sept. 13	150.4	150.4	146.7	113.6
Building materials	Sept. 13	179.4	180.1	178.9	133.3
Chemicals and allied products	Sept. 13	120.4	118.5	117.2	97.9
Housefurnishing goods	Sept. 13	132.1	131.9	132.0	114.3
Miscellaneous commodities	Sept. 13	117.9	117.2	115.5	101.9
Special groups—					
Raw materials	Sept. 13	171.9	168.5	166.8	138.4
Semi-manufactured articles	Sept. 13	150.4	150.2	147.2	111.9
Manufactured products	Sept. 13	152.5	150.1	147.8	115.9
All commodities other than farm products	Sept. 13	150.9	148.9	146.5	115.1
All commodities other than farm products and foods	Sept. 13	138.1	137.9	135.4	111.0

*Revised figure. †No market—previous quotation 21.225c.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of August:	$	$	$
Total construction	1,405,000,000	1,340,000,000	1,223,000,000
New construction	1,212,000,000	1,153,000,000	1,056,000,000
Private construction	909,000,000	865,000,000	809,000,000
Residential building nonfarm	443,000,000	421,000,000	347,000,000
Nonresidential building nonfarm	266,000,000	261,000,000	321,000,000
Industrial	139,000,000	139,000,000	159,000,000
Commercial	76,000,000	74,000,000	107,000,000
All other	51,000,000	48,000,000	162,000,000
Farm construction	75,000,000	60,000,000	60,000,000
Public utilities	125,000,000	123,000,000	81,000,000
Public construction	303,000,000	288,000,000	247,000,000
Residential building	10,000,000	8,000,000	42,000,000
Nonresidential building (except military and naval facilities)	46,000,000	44,000,000	32,000,000
Industrial	2,000,000	2,000,000	7,000,000
All other	44,000,000	42,000,000	25,000,000
Military and naval facilities	19,000,000	19,000,000	18,000,000
Highways	135,000,000	130,000,000	91,000,000
Sewer and water	26,000,000	26,000,000	23,000,000
Conservation & development	46,000,000	42,000,000	27,000,000
All other public	21,000,000	19,000,000	14,000,000
Minor building repairs	193,000,000	187,000,000	167,000,000
Residential building nonfarm	65,000,000	64,000,000	47,000,000
Nonresidential building nonfarm	65,000,000	65,000,000	70,000,000
Farm	63,000,000	58,000,000	50,000,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES—			
Consumed Line—Month of August	710,601	677,489	855,511
In consuming establishments as of Aug. 31	1,154,267	1,400,077	2,082,696
In public storage as of Aug. 31	833,113	900,510	3,634,342
Cotton spindles active as of Aug. 31	21,197,000	21,415,434	22,019,000
Consumed Linters—Month of August	81,339	81,923	86,917
In consuming establishments as of Aug. 31	164,636	200,583	197,954
In public storage as of Aug. 31	51,538	64,989	40,527
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. 1935-39 AVERAGE=100—Month of August:			
Sales (average monthly), unadjusted	183	174	200
Sales (average daily), unadjusted	179	170	*189
Sales (average daily), seasonally adjusted	246	254	250
Stocks, unadjusted as of Aug. 31	214	*193	*220
Stocks, seasonally adjusted as of Aug. 31	205	*204	*212
LIFE INSURANCE PURCHASES—INSTITUTE OF LIFE INSURANCE—Month of August:	$	$	$
Ordinary	1,104,368,000	1,210,569,000	1,272,736,000
Industrial	325,896,000	312,863,000	323,504,000
Group	186,066,000	328,250,000	200,518,000
Total	1,616,330,000	1,856,682,000	1,796,758,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—			
Midland Bank, Ltd.—Month of August	£3,306,000	£45,715,000	£8,968,000
NEW YORK STOCK EXCHANGE—			
As of August 31:			
Member firms carrying margin accounts—	$	$	$
Total of customers' net debit balances	550,116,782	564,139,538	723,000,000
Credit extended to customers	76,590,962	67,801,711	99,000,000
Cash on hand and in banks in U. S.	398,884,779	402,198,852	
Total of customers' free credit balance	655,900,273	676,856,879	647,000,000
Market value of listed shares	68184,122,479	69365,088,855	74350,238,520
Market value of listed bonds	141235,834445	140762,829432	140958,397671
Stock price index, 12-31-24=100	78.3%	80.3%	89.6%
Member borrowings on U. S. Govt. issues	150,779,406	103,724,970	203,955,722
Member borrowings on other collateral	184,631,821	209,333,920	304,991,118
RAILROAD SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of June:			
Net railway operating income	60,201,058	75,728,897	37,824,949
Other income	23,124,233	13,889,333	22,156,618
Total income	83,325,291	89,618,230	59,981,567
Miscellaneous deductions from income	4,595,516	2,845,483	2,385,619
Income available for fixed charges	78,729,775	86,772,747	57,595,948
Income after fixed charges	42,052,744	50,215,964	18,261,454
Contingent charges	3,650,353	3,855,769	3,074,502
Net income	38,402,391	46,360,195	15,186,952
Depreciation (way & structures & equip.)	29,478,529	29,428,480	28,262,205
Amortization of defense projects	1,355,617	1,356,675	821,397
Federal income taxes	20,548,355	25,230,787	3,134,768
Dividend appropriations:			
On common stock	11,562,292	21,454,573	16,632,422
On preferred stock	5,436,630	5,296,643	5,591,614
Ratio of income to fixed charges	2.15	2.37	1.46
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S.—HOME LOAN BANK BOARD—Month of July:			
Savings and Loan Associations	316,093,000	304,994,000	
Insurance A	71,622,000	65,511,000	
Bank and Trust companies	254,765,000	255,962,000	
Mutual Savings banks	50,564,000	46,353,000	
Individuals	166,541,000	164,808,000	
Miscellaneous lending institutions	135,202,000	128,105,000	
Total	994,787,000	965,733,000	
UNITED STATES EXPORTS AND IMPORTS —BUREAU OF CENSUS—Month of July			
Exports	1,151,000,000	1,241,700,000	
Commercial	1,124,500,000	1,201,600,000	
UNRRA Administration Program	25,300,000	39,800,000	
Lend Lease	1,200,000	300,000	
Imports	449,960,000	466,000,000	
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Aug. 31:			
Total face amount that may be outstanding at any one time	$275,000,000,000	$275,000,000,000	$275,000,000,000
Outstanding—			
Total gross public debt	260,097,131,993	259,447,739,778	267,545,840,901
Guaranteed obligations not owned by the Treasury	79,064,542	79,971,276	378,634,367
Total gross public debt and guaranteed obligations	$260,176,196,535	$259,527,711,054	$267,924,475,268
Deduct—Other outstanding public debt obligations not subject to debt limitation	875,289,809	879,611,568	954,894,452
Balance face amount of obligations issuable under above authority	$259,300,906,726	$258,648,099,486	$266,969,580,816
	$15,699,093,274	$16,351,900,514	$8,030,419,184

*Revised.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

● Alabama Power Co., Birmingham, Ala.
Sept. 19 filed $10,000,000 20-year first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Drexel & Co.; Lehman Brothers, and Blyth & Co. Inc. (jointly); Harriman, Ripley & Co.; Goldman, Sachs & Co.; Lazard Freres & Co., and Equitable Securities Corp. (jointly). Expected in October. **Price**—To be determined by competitive bidding. **Proceeds**—To finance part of its expansion program. **Business**—Public utility.

● Aluminum Industries, Inc., Cincinnati, Ohio
Sept. 17 (letter of notification) 2,295 shares (no par) common. **Price**—$25.50 per share. **Underwriter**—Hallgarten & Co., New York For additional working capital.

American Brake Shoe Co., New York
Sept. 8 filed 199,101 shares ($100 par) cumulative preferred. Preferred stock is convertible into common any time prior to Oct. 1, 1957. **Underwriters** — The First Boston Corp., New York, and Harris, Hall & Co. (Inc.), Chicago. **Offering**—Preferred shares will be offered for subscription to common stockholders of record on Oct. 1, in the ratio of one share of preferred for each five shares of common held. Rights will expire 15 to 20 days after Oct. 1. Unsubscribed shares will be offered publicly through the underwriter. Price by amendment. **Proceeds**—To pay off $12,250,000 short-term bank loan and for general funds.

American Water Works Co., Inc., N. Y. (9/25)
March 30, 1946 filed 2,343,105 shs. of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. Underwriters—To be filed by amendment. Probable bidders include **Dillon, Read & Co. Inc., White, Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (jointly). Offering**—Stockholders of record Sept. 26 of American Water Works & Electric Co., Inc., will have the right to subscribe on or before Oct. 6 for the stock to the extent of one share for each share held. **Bids**—American Water Works Co., Inc., is inviting proposals for the purchase from it of such of the shares of its common stock to be offered by it pursuant to the subscription offer to holders of common stock of American Water Works and Electric Co., Inc., and the exchange offers to the public holders of $7 cumulative first preferred stock of Community Water Service Co. and $6 cumulative preferred stock, series A, of Ohio Cities Water Corp. as are not required to be issued by the company pursuant to such offers. The total number of shares of common stock so to be offered by the company cannot be determined until a proposal has been accepted by the company. Proposals will be received by the company at Room 901, No. 50 Broad St., New York, up to 12 noon (EDT) on Sept. 25.

Anchor Post Products, Inc., Flemington, N. J.
Sept. 8 (letter of notification) 45,550 shares ($2 par) common. **Price**—$6 a share. Offered to stockholders of record Sept. 29 in ratio of one new share for each five shares held. Rights expire Oct. 31. No underwriting. For payment of notes and additional working capital.

Associates Investment Co. (10/7)
Sept. 15 filed 223,000 shares ($10 par) common. **Underwriters**—F. S. Moseley & Co., Boston; Glore, Forgan & Co. and Merrill, Lynch, Pierce, Fenner & Beane, New York. Price by amendment. **Proceeds**—Of the total offering, the company is selling 200,000 shares and 23,000 shares by selling stockholders. The proceeds will be added to working capital.

● Atlantic Products Corp., Trenton, N. J.
Sept. 23 (letter of notification) 29,568 shares of common stock (par $1). **Price**—$1.75 per share. **Underwriting**—None. To be offered for subscription to common stockholders to the extent of 10% of present holdings in an aggregate of 21,043 shares and to certain key employees in an aggregate of 8,525 shares. Reimburse company for sum paid by it for purchase of said shares.

● Autocar Co., Ardmore, Pa. (9/29)
Sept. 22 (letter of notification) 1,000 shares of 5% convertible preferred stock, series C. **Price** (at market)—$21.50 per share. **Underwriter**—Model, Roland & Stone, New York. Proceeds to Liberty Products Corp.

● Bates Expanded Steel Corp., East Chicago, Ind.
Sept. 15 (letter of notification) 750 shares ($100 par) 6% cumulative preferred. **Price**—$100 a share. No underwriting. For machinery and equipment and for working capital.

Bellefield Co., Pittsburgh, Pa.
Sept. 44 (letter of notification) 30,877 shares (no par) capital stock. To be offered to shareholders at $5 a share. **Underwriter**—Pioneer Land Co., Pittsburgh. For improvement of hotel properties.

● Big Dipper Mining Corp., Tacoma, Wash.
Sept. 18 (letter of notification) 1,000,000 shares (10¢ par) common. **Price**—10 cents a share. Any selling agents will be supplied by amendment. For mine development.

● Boyd Transfer & Storage Co., Minneapolis, Minnesota
Sept. 18 (letter of notification) $68,410 10-year 3% instalment notes. Notes will be offered with cash in exchange for outstanding preferred stock. The exchange offer will be handled by a group of preferred stockholders. The outstanding preferred will be retired.

Brayton Flying Service, Inc., Robertson, Mo.
March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. **Price—$5 per unit, consisting of one share of each. Underwriter—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.**

Brown Radio Productions, Inc., Nashville, Tenn.
Aug. 29 (letter of notification) 17,000 shares ($1 par) common. **Price** — $8.25 a share. **Underwriter**—Mid-South Securities Co., Nashville, Tenn. For payment of bank indebtedness and other corporate purposes.

California-Pacific Utilities Co. (9/29)
Sept. 11 filed 45,000 shares ($20 par) 5% cumulative preferred stock. **Underwriters** — First California Co., and Sutro & Co., San Francisco. **Price—$20.50 a share. Proceeds**—To repay $700,000 of short term bank loans with the balance added to treasury funds.

Callaway Mills, LaGrange, Ga.
Aug. 28 filed 123,306 shares (no par) common. **Underwriting**—No underwriting. **Offering** — Shares will be offered only to those stockholders who exchanged their holdings of common for preferred in 1945. **Price**—$35 a share. **Proceeds**—For corporate purposes.

● Camden (N. J.) Fire Insurance Association
Sept. 19 filed 100,000 shares ($5 par) capital stock. **Underwriter**—Butcher & Sherrerd, Philadelphia. **Offering**—Shares will be offered to stockholders in the ratio of one new share for each four shares held. Unsubscribed shares will be sold publicly. **Price**—By amendment. **Proceeds**—To increase capital funds. **Business**—Fire Insurance.

Carolina Telephone & Telegraph Co., Tarboro, N. C.
Sept. 3 filed 21,250 shares ($100 par) common. **Underwriters**—No underwriting. **Offering**—To be offered to common stockholders on the basis of two new shares for each five shares held of record Oct. 1, 1947. **Price**—at par. **Proceeds**—To repay short-term bank loans in connection with the financing of construction program.

● Carr-Consolidated Biscuit Co., Wilkes-Barre, Pennsylvania
Sept. 16 (letter of notification) 10,000 shares of stock on behalf of H. F. Carr, trustee. To be sold at market through J. S. Bache & Co., or Merrill Lynch, Pierce, Fenner & Beane or through New York Curb or Chicago Stock Exchange.

Central Ohio Distributing Co., Columbus, Ohio
Sept. 9 (letter of notification) $150,000 5% sinking fund debentures, due 1959, with stock purchase warrants attached, and 7,500 shares (no par) common. **Debentures will be sold at 100% and the common will be sold upon exercise of the warrants at $5 a share until Sept. 1, 1948, $5.50 a share until Sept. 1, 1950, and $6.25 a share until Sept. 1, 1953. Underwriter**—The Ohio Co., Columbus. For modernization and expansion purposes and to purchase equipment for wholly owned subsidiary and to provide working capital for the subsidiary and the issuer.

Ciro Twins Mining Co., Orogrande, Idaho
Sept. 4 (letter of notification) $100,000 of class A stock and $200,000 of class B stock. **Price**—25 cents per share. **Underwriter**—Edwin Lavigne & Co., Spokane, Wash. For development of property.

Cluett, Peabody & Co., Inc., New York (10/9)
Sept. 4 filed 112,974 shares ($100 par) 4% cumul. second preferred. **Underwriters**—Goldman, Sachs & Co., and Lehman Brothers are principal underwriters. **Offering**—The shares offered to common stockholders of record Sept. 24 on the basis of one share of preferred for each six shares of common held. Rights expire Oct. 8. Unsubscribed shares will be offered publicly. Price $102 per share. **Proceeds**—To redeem outstanding notes and for working capital.

● Coleman-Pettersen Corp., Cleveland, Ohio
Sept. 15 (letter of notification) 2,000 shares ($20 par) 6% cumulative preferred and 4,000 shares (no par) common. **Price**—$30 per unit, consisting of one preferred share and two common shares. No underwriting. For new equipment, retirement of bank loan and working capital.

Colorado Central Power Co., Golden, Colo.
Sept. 8 (letter of notification) 9,872 shares ($10 par) common. **Price**—$30 a share. Company will sell the stock through investment bankers or security dealers and pay a commission of $1.25 a share. Proceeds will be used to repay a $100,000 loan and to reimburse its treasury cash.

Conlon-Moore Corp., Chicago (10/1)
July 25 filed $800,000 10-year first mortgage 4¾% sinking fund bonds. **Underwriters** — Illinois Securities Co., Joliet, Ill., and Mullaney, Ross & Co., Chicago. **Price**—Par. **Proceeds**—To pay off indebtedness and to finance expansion of business. Registration statement effective August 29.

● Cooperative Services of Cleveland
Sept. 15 (letter of notification) 2,500 shares of common. **Price**— $20 a share. No underwriting. To set up cooperative.

Cummins Engine Co., Inc. (10/1)
Sept. 8 filed 21,678 shares ($100 par) 4½% cumulative first series preferred and 50,000 shares of common (par $5). **Underwriter**—A. G. Becker & Co., Inc., Chicago. Price by amendment. **Proceeds**—The shares are being sold by stockholders who will receive proceeds.

Derby Gas & Electric Corp., New York
Sept. 4 filed 43,610 shares (no par) common. **Underwriting**—If a public sale is made the underwriter will be supplied by amendment. **Offering**—The shares will be offered to common stockholders on the basis of one share for each five shares held. Unsubscribed shares may be sold privately or publicly through an underwriter. Price to be supplied by amendment. **Proceeds**—Proceeds from the sale of stock and from the sale of new debentures will be used to make advances to the company's three operating subsidiaries for construction purposes.

● Diversified Business, Inc., Denver, Colo.
Sept. 19 (letter of notification) 500 "gross participation certificates." **Price** — $250 each. To be sold through officers and directors of the company. For machinery and equipment and for working capital.

● Dixie Stores, Inc., Atlanta, Ga.
Sept. 17 (letter of notification) 100,000 shares ($1 par) common. **Price** — $1 a share. No underwriting. For working capital.

● Doman-Frasier Helicopters, Inc., New York
Sept. 18 (letter of notification) 15.000 shares ($1 par) common. **Price**—$1.25 a share. No underwriting. For operating expenses.

● Electric Steam Sterilizing Co., Inc., N.Y. (9/29)
Sept. 22 (letter of notification) 65,000 shares of common stock (par 10¢). **Price**—65 cents per share. **Underwriter**—Reich & Co., New York. Purchase of inventory, etc.

● Empire Corp., Denver Colo.
Sept. 15 (letter of notification) 6,000,000 shares (5c par) common. **Price**—5 cents a share. **Underwriter**—Fleetwood Investment Co., Denver. For drilling exploration program.

Empire Projector Corp., New York (10/10)
Aug. 21 (letter of notification) 80,000 shares ($1 par) common on behalf of the company, and 15,000 shares ($1 par) common on behalf of officers and stockholders. The 80,000 shares will be sold at $3 a share. The 15,000 shares will be sold to L. D. Sherman & Co., New York, the principal underwriter, at 60 cents a share. The underwriting discount for 80,000 shares will be 50 cents a share. The company will use its proceeds to increase working capital.

NEW ISSUE CALENDAR

September 25, 1947
American Water Works Co., Inc.________Common
Denver & Rio Grande Western RR.
Noon (MST)________Equip. Trust. Ctfs.

September 26, 1947
Interstate Power Co.________Bonds & Common
Natra-Lyn Corp.________Capital Stock

September 29, 1947
Autocar Co.________Preferred
California-Pacific Utilities Co.________Preferred
Electric Steam Sterilizing Co.________Common
Jersey Shore Gas & Heating Co.________Bonds
National Union Fire Ins. Co.________Capital Stock
Texas Electric Service Co., Noon (EST)________Bonds
United Utilities Specialty Corp.________Preferred

September 30, 1947
Kentucky Utilities Co.________Preferred
New England Telephone & Telegraph Co.,
11:30 a.m. (EST)________Debentures
Somners Drug Stores Co.________Pfd. & Com.

October 1, 1947
Chicago, Milwaukee, St. Paul & Pacific,
Noon (CST)________Equip. Trust Ctfs.
Conlon-Moore Corp.________Bonds
Cummins Engine Co., Inc.________Pfd. & Com.
Florida Rami Products, Inc.________Common
Standard-Thompson Corp.________Debs. & Com.
Telesonic Corp. of America________Capital Stock

October 2, 1947
Southern Pacific Co.,
Noon (EST)________Cond. Sales Agreement

October 6, 1947
Mutual Finance Co.________Pfd. & Com.
Seaboard Air Line RR., Noon (EST)____Eq. Tr. Ctfs.

October 7, 1947
Associate Investment Co.________Common
Chesapeake & Ohio Ry., Noon (EST)____Eq. Tr. Ctfs.
Chicago Burlington & Quincy,
Noon (CST)________Cond. Sales Agreement
Metropolitan Edison Co.________Bonds
Pacific Gas & Electric Co.________Bonds

October 9, 1947
Cluett, Peabody & Co., Inc.________Preferred

October 10, 1947
Empire Projector Corp.________Common
Richmond, Fredericksburg & Potomac,
Noon (EST)________Cond. Sales Agreement

October 14, 1947
Texas Power & Light Co.________Bonds

October 21, 1947
Pacific Tel. & Tel. Co.________Debentures

Federal Electric Products Co.
Feb. 26, filed 150,000 shares ($1 par) common class A. **Underwriter**—E. F. Gillespie & Co., Inc., New York. **Price**—$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B ($1 par) common at $7.25 a share, exercisable for a period of three years. **Proceeds**—Proceeds of approximately $870,000, together with $755,000 of other bonds, will be used to repay the balance of $34,000 of a property mortgage, to pay off loans in the amount of $1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

Florida Rami Products, Inc. (10/1-10)
Aug 1 (letter of notification) 100,000 shares ($1 par) class A common. **Price**—$3 a share. **Underwriter**—Batkin, Jacobs & Co., New York. To purchase new machines and equipment, to pay off some current liabilities and to add to working capital.

● **Florin Water Co., Harrisburg, Pa.**
Sept. 22 (letter of notification) $67,000 4% 1st closed mtge. ref. bonds, due Oct. 15, 1969. **Price**—99 (excl. of interest from Oct. 15 to date of delivery). **Underwriter**—Warren W. York & Co., Inc. To refund $67,300 1st mtge. 6s.

● **Futurers' Home Owners, Inc., Washington, D. C.**
Sept. 17 (letter of notification) $100,000 ($500 par) common. **Price**—$500 a share. No underwriting. For general corporate purposes.

● **Glens Falls (N. Y.) Insurance Co.**
Sept. 18 filed 150,000 shares ($5 par) capital stock. **Underwriter** — Morgan Stanley & Co., New York. **Offering** — The shares will be offered for subscription to stockholders on the basis of three new shares for each 10 shares held of record Oct. 6. Unsubscribed shares will be offered publicly through underwriters. **Price** — By amendment. **Proceeds**—To be added to the company's general funds. **Business**—Insurance business.

● **Grand Stores Co., San Diego, Calif.**
Sept. 17 (letter of notification) 10,000 shares ($1 par) common, of which 5,000 on behalf of Edwin A. Barnes and 5,000 on behalf of Harlan B. Eldred, both vice-presidents of the company. To be sold at market to registered dealers.

Great Eastern Mutual Life Ins. Co., Denver
Sept. 2 (letter of notification) 45,250 shares ($1 par) capital stock. **Price**—$2 a share. To be sold through officers of the company. Of the total 13,250 shares will be sold for cash and 32,000 will be issued in exchange for 32,000 shares of capital stock of Western Agency Co. in order to acquire all of the latter's assets.

Great Western Biscuit Co., Los Angeles
Aug. 11 filed 249,972 shares ($1 par) capital stock. **Underwriter** — Fewel & Co., Los Angeles. **Offering** — Shares will be offered to stockholders at $2 a share in the ratio of one new share for each two now held. Unsubscribed shares will be offered publicly at $2 a share. The underwriters will receive a commission of 25 cents a share. **Proceeds**—For business expansion and to reduce short term indebtedness.

● **Greenback (Tenn.) Industries, Inc.**
Sept. 17 (letter of notification) 25,000 shares ($10 par) preferred and 50,000 shares (10¢ par) common. **Price**—$10 per unit, consisting of one share of preferred and two shares of common. **Underwriter**—L. L. Bailey & Co., Knoxville, Tenn. To pay for equipment and buildings.

● **Hawaiian-Philippine Co., Manila, P. I.**
Sept. 24 filed 500,000 shares 7% cumulative preferred, par 10 Philippines pesos per share (currency basis one neco equivalent to 50 cents). **Underwriting**—No underwriting. **Offering**—For subscription by common stockholders on the basis of one share for each $1\frac{1}{4}$ shares owned. **Price**—$5 a share. **Proceeds**—For rehabilitation program. **Business**—Sugar refinery.

● **Hickok Manufacturing Co., Inc., Rochester, New York**
Sept. 19 filed 200,000 shares ($1 par) common. **Underwriter**—E. H. Rollins & Sons, Inc., New York. **Price**—By amendment. **Proceeds**—The shares are being sold by 36 stockholders who will receive proceeds. **Business**—Manufacture men's wear.

● **Hi-Dollar Shannon, Inc., Las Vegas, Nev.**
Sept. 17 (letter of notification) 400 shares ($100 par) 6% preferred and 2,000 shares ($10 par) common. **Price**—$150 per unit, consisting of one share of preferred and five shares of common. Any underwriters will be supplied by amendment. For operation of business.

Illinois-Rockford Corp., Chicago
July 24 filed 120,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Straus & Blosser, Chicago. **Price**—$9.25 a share. **Proceeds**—The shares are being sold by four stockholders and represent part of the stock the sellers will receive in exchange for their holdings of four furniture companies to be merged with the registrant. The merging companies are Toccoa Manufacturing Co. and Stickley Brothers, Inc., both Illinois corporations, and the Luce Corp. and Stickley Bros. Institutional Furniture Co., both Michigan corporations.

Inglewood Gasoline Co., Beverly Hills
July 7 (letter of notification) 100,414.8 shares ($1 par) capital stock. **Price**—$1 a share. To be offered to stockholders. Unsubscribed shares to be offered publicly through Bennett & Co., Hollywood. To purchase equipment, liquidate indebtedness, and for working capital. An amended application may be filed in near future.

Interstate Power Co., Dubuque, Iowa (9/26)
May 13 filed $19,400,000 of first mortgage bonds, due 1977, and 2,132,223 shares ($3.50 par) capital stock. **Proceeds**—For debt retirement, finance new construction and for working capital. Bonds awarded Sept. 24 to Halsey, Stuart & Co. Inc. on bid of 101.90 for a $3\frac{1}{2}$% coupon rate. Reoffering expected at 102.80. Stock awarded Sept. 24 on bid of $4.05 per share to Lehman Brothers, Goldman, Sachs & Co. and Wertheim & Co. Reoffering expected at $4.75.

I-T-E Circuit Breaker Co., Philadelphiha
Sept. 15 filed 61,476 shares ($10 par) common. **Underwriter**—No underwriting. **Offering**—The shares will be offered to ($10 par) common stockholders of Railway & Industrial Engineering Co., South Greensburg, Pa., on an exchange basis of $1\frac{1}{5}$ shares of I-T-E Common for one share of Railway Common. The offer will be made pursuant to a plan of reorganization.

Jersey Shore (Pa.) Gas & Heating Co. (9/29)
Sept. 10 (letter of notification) $25,000 first mortgage sinking fund debentures. Price, par. **Underwriter**—Bioren & Co., Philadelphia. To retire present loan of $20,500 and to add to working capital.

Kent-Moore Organization Inc., Detroit
Sept. 10 filed 32,000 shares of common. **Underwriting**—No underwriting. **Price**—$16.50 a share. **Proceeds**—Shares are being sold by two stockholders who will receive proceeds.

Kentucky Utilities Co., Lexington, Ky. (9/30)
May 9 filed 130,000 shares ($100 par) cumulative preferred. **Underwriter**—The First Boston Corp. **Offering**—Preferred stock initially will be offered in exchange for outstanding ($100 par) 6% preferred and ($50 par) junior preferred. The basis of exchange will be one share of new preferred for each share of 6% preferred and one share of new preferred for each two shares of junior preferred. Shares of new preferred not issued in exchange will be publicly offered. **Proceeds**—Proceeds from the sale of new preferred will be used to redeem unexchanged shares of old preferred. Offering tentatively set for Sept. 30.

Koch Chemical Co., Winona, Minn.
July 22 (letter of notification) 60,000 shares ($1 par) common. **Price**—$5 a share. **Underwriter**—H. P. Carver Corp., Boston. To retire debt and for working capital.

La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa
April 30 filed 60,000 shares ($25 par) 5% cumul. convertible preferred. **Underwriter**—Paul H. Davis & Co., Chicago. **Price**—$25 per share. **Proceeds**—To be added to working capital and will be used in part to reduce current bank loans.

● **Lay (H. W.) & Co., Inc., Atlanta, Ga.**
Sept. 19 (letter of notification) 12,000 shares of $25 par 5.2% cumulative convertible preferred. **Price** — $25 a share. **Underwriters**—Headed by Clement A. Evans & Co., Inc., Atlanta, Ga. For new bakery plant.

Legend Gold Mines, Ltd., Toronto, Canada
June 27 filed 300,000 shares ($1 par) common treasury stock. **Underwriting** — To be supplied by amendment. **Price**—50 cents a share. **Proceeds**—To develop mining properties. **Business**—Mining.

Li Falco Manufacturing Co., Inc., Little Falls, N. Y.
July 31 (letter of notification) 5,000 shares ($2 par) common. To be sold at market. **Underwriter**—Birnbaum & Co., New York. Shares being sold on behalf of two stockholders.

Manhattan Coil Corp., Atlanta, Ga.
May 20 filed $500,000 5% serial debentures, due 1949-1957; 12,000 shares ($25 par) $5\frac{1}{2}$% cumulative convertible preferred and 85,000 shares ($1 par) common. **Underwriter**—Kirchofer & Arnold, Inc., Raleigh, N. C. **Price**—The debentures at 102.507, while the preferred shares will be offered at par and the common shares at $4 each. **Proceeds**—To retire bank indebtedness and to finance purchase of machinery and other plant equipment.

● **Massachusetts Bonding and Insurance Co., Boston**
Sept. 19 filed 100,000 shares ($5 par) capital stock. **Underwriter**—Geyer & Co., New York. **Offering**—To be offered for subscription to stockholders on the basis of one new share for each four held. Unsubscribed shares will be sold publicly. Price by amendment. **Proceeds**—For expansion of business.

McCormick & Co., Inc., Baltimore, Md.
Aug. 13 (letter of notification) 1,400 shares ($100 par) 5% cumulative preferred. **Price**—$100 a share. No underwriting. For additional working capital.

McPhail Candy Corp., Chicago
July 25 filed 100,000 shares ($10 par) $5\frac{1}{2}$% cumulative convertible preferred and 200,000 shares ($1 par) common. **Underwriters**—Brailsford & Co., and Shillinglaw, Bolger & Co., Chicago. **Price** — $10 a preferred share and $6 a common share. **Proceeds** — Company will receive proceeds from the sale of preferred only and will use it to pay off bank loans, buy new equipment and for working capital. The common stock is being sold by Russell McPhail, President.

Metropolitan Edison Co., Reading, Pa. (10/7)
Aug. 29 filed $4,500,000 of first mortgage bonds. **Underwriting** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Drexel & Co. **Proceeds**—For purchase or construction of new facilities. **Bids**—Expected bids will be advertised Sept. 25, to be opened Oct. 7 at 61 Broadway, New York.

● **Murphy (A. A.) & Co., St. Paul, Minn.**
Sept. 16 (letter of notification) 6,000 shares of $5\frac{1}{2}$% prior preferred. **Price** — $50 a share. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis. For partial payment of outstanding bank loans.

● **Mutual Finance Co., Tampa, Fla. (10/6)**
Sept. 18 (letter of notification) 2,420 shares ($100 par) 5% cumulative preferred and 2,420 shares (no par) common. **Price**—$105 per unit, consisting of one share of each. To be distributed by A. M. Kidder & Co. as agent. For payment of current obligations.

National Union Fire Insurance Co. of Pittsburgh, Pa. (9/29)
Aug. 5 filed 180,000 shares ($5 par) capital stock. **Underwriter**—The First Boston Corp., New York. **Offering**—Stockholders of record Aug. 25 are given the right to subscribe at rate of nine shares for each 11 shares held. Rights expire at 10 a.m. Sept. 29. Unsubscribed shares will be offered publicly through the underwriters. Price $25 per share. **Proceeds**—To be added to cash funds for investment in securities.

● **Natra-Lyn Corp., Camden, N. J. (9/26)**
Sept. 23 (letter of notification) 10,000 shares of capital stock (par $5). **Price**—$5 per share. Stock shall be sold only by J. Howard Cundiff, Jr., 98 Park Ave., Collingswood, N. J. For advertising products of corporation, consisting principally of cosmetic preparations.

New England Telephone and Telegraph Co. (9/30)
Aug. 29 filed $40,000,000 of 35-year debentures. **Underwriting** — To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. **Proceeds**—To repay money advanced by its parent, American Telephone & Telegraph Co., as a temporary financing measure toward construction costs; and to finance further construction costs. **Bids**—Bids for purchase of the bonds will be received by company at room 2315, 195 Broadway, New York, up to 11:30 a.m. (EST) on Sept. 30.

● **Pacific Finance Corp. of California, Los Angeles**
Sept. 24 filed 19,750 shares ($10 par) common. **Underwriting**—No underwriting. **Offering**—To officers and employees of the company. **Price**—$18 a share. **Proceeds**—For general corporate purposes. **Business**—Finance and insurance business.

Pacific Gas & Electric Co. (10/7)
Sept. 10 filed $75,000,000 $2\frac{3}{4}$% 1st and ref. mortgage bonds, series Q, due Dec. 1, 1980. **Underwriters**—To be determined through competitive bidding. Probable bidders include: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—To retire bank loans and to finance in part construction program. **Bids**—Tentatively expected Oct. 7.

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• Pacific Telephone & Telegraph Co., San Francisco (10/21)

Sept. 19 filed $100,000,000 40-year debentures. **Underwriting** — To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. **Price** — To be determined by competitive bidding. **Proceeds**—For construction program. **Bids**—Company will receive bids for the purchase of the bonds up to 11:30 a.m. Oct. 21.

Payne Cutlery Corp., Brooklyn, N. Y.

Sept. 2 (letter of notification) 14,000 shares of common (par 50c). **Price**—$1.875 per share. Offered on behalf of or for benefit of Greenfield, Lax & Co., Inc., who is named underwriter. Effective Sept. 10.

• Process Engineering, Inc., Somerville, Mass.

Sept. 18 (letter of notification) 750 shares ($100 par) preferred. **Price**—$100 a share. No underwriting. For general corporate purposes.

• Prosperity Co., Inc., Syracuse, N. Y.

Sept. 17 (letter of notification) 3,000 shares ($100 par) preferred. **Price**—$100 a share. No underwriting. For general corporate purposes.

Salant & Salant, Inc., New York

March 28 filed 240,000 shares ($2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

Seattle (Wash.) Gas Co.

Sept. 4 (letter of notification) $300,000 ($50 par) preferred. **Price**—$50 a share. **Underwriter**—Shea & Co., Boston; and Smith, Landeryou & Co., Omaha, Neb. For payment of loan and current obligations.

Silver Creek (N. Y.) Precision Corp.

Sept. 10 (letter of notification) 15,000 shares (40¢ par) common. To be sold at market through brokers and dealers. The shares are being sold by Lawrence Schmitt, President, who will receive proceeds.

Somners Drug Stores Co. (9/30)

Sept. 5 filed 100,000 shares ($5 par) 30¢ cumulative preferred and 67,500 shares ($1 par) common. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. Price to be supplied by amendment. **Proceeds**—To acquire control of two other drug companies—Somners Drug Stores in San Antonio and the Thames Drug Co., Inc., Beaumont, Tex. These two companies will be liquidated upon transfer of their assets to the registrant.

South Jersey Gas Co., Newark, N. J.

Sept. 3 filed $4,000,000 30-year first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. **Proceeds**—To redeem outstanding securities of Atlantic City Gas Co., and Peoples Gas Co., which were merged to form South Jersey Gas Co.

Southeastern Development Corp., Jacksonville, Fla.

July 29 (letter of notification) 8,000 units consisting of one share ($10 par) 6% cumulative preferred and one share ($1 par) common. **Price**—$12.50 per unit. **Underwriter**—Southeastern Securities Corp., Jacksonville. For working capital.

Southwest Lumber Mills, Inc., McNary, Ariz.

Aug. 11 (letter of notification) 40,000 shares ($1 par) capital stock. **Price**—$7.50 a share. To be offered to stockholders. Any shares not purchased by stockholders will be bought by Imperial Trust Co., Ltd., of Montreal, Can. To restore working capital.

Sta-Kleen Bakery Inc., Lynchburg, Va.

Sept. 8 (letter of notification) 1,621 shares ($1 par) common, on behalf of company and 8,000 shares ($1 par) common, on behalf of four stockholders. **Price**—$12 a share. **Underwriter** — Scott Horner & Mason, Inc., Lynchburg, Va. Company will use its proceeds for working capital and expansion purposes.

Standard-Thompson Corp., Dayton, O. (10/1)

Aug. 27 filed $1,750,000 5% sinking fund debentures, due 1967, and 272,500 shares of common (par $1). **Underwriters**—Lee Higginson Corp., and P. W. Brooks & Co., Inc., New York. **Offering**—The debentures with common stock warrants attached will be offered publicly. The common shares will be reserved for conversion of debentures.

Sterling Electric Motors, Inc., Los Angeles, California

Sept. 10 (letter of notification) 19,591 shares ($1 par) common. The shares will be issued upon exercise of outstanding warrants. To be added to the corporation's funds.

• Stokely-Van Camp, Inc., Indianapolis, Ind.

Sept. 19 (letter of notification) 9,524 shares ($20 par) 5% cumulative prior preference stock. To be issued in consideration for the assets and plant of The Polk Co., Tampa, Fla. No underwriting.

• Sunbeam Petroleum Co., Chicago

Sept. 15 (letter of notification) 29,500 shares of preferred and 29,500 shares of common. The common will be given as a bonus on the basis of one share of common with each share of preferred stock to be donated shares from present common stockholders. **Price** — $10 a preferred share. No underwriting. To retire part of bank loan and improve working capital.

Teaco Beverage Co., Nashville, Tenn.

Sept. 8 (letter of notification) 25,000 shares ($10 par) 5% cumulative preferred. **Price**—$10 a share. The purchaser of each share of preferred will receive from the seller one share of $1 par common. No underwriting. The shares are being sold by three officers of the company who will receive proceeds.

• Telesonic Corp. of America, New York (10/1)

Sept. 23 (letter of notification) 100,000 shares of capital stock (par $1). **Price**—$2.50 per share. **Underwriter**—American Canadian Enterprises, Ltd., New York. Working capital and increase production facilities.

Texas Co., New York

Aug. 14 filed an unspecified number of common (par $25) shares (maximum number, 2,248,932 shares). **Underwriters**—No underwriting. **Offering**—Shares are offered at $45 per share for subscription to stockholders of record Sept. 17 on basis of one new for each five shares held. Rights expire Oct. 8. **Proceeds**—To be added to general funds for corporate purposes.

Texas Electric Service Co., Fort Worth (9/29)

Aug. 27 filed $7,000,000 30-year first mortgage bonds. **Underwriting**—To be determined by competitive bidding. Probable bidders include: Blyth & Co., Inc., Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Halsey, Stuart & Co. Inc.; Hemphill, Noyes & Co. and Drexel & Co. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Harriman, Ripley & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co. and Lazard Freres & Co. (jointly). **Proceeds**—To finance construction expenditures. **Bids**—Bids for purchase of bonds will be received by company at room 2033, 2 Rector Street, New York, up to noon (EST) Sept. 29.

Texas Power & Light Co. (10/14)

Sept. 12 filed $8,000,000 30-year first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders include: Blyth & Co., Inc., Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp., Hemphill, Noyes & Co. and Drexel & Co. (jointly); White, Weld & Co., Lazard Freres & Co. and Harriman Ripley & Co. (jointly). **Proceeds**—To finance construction program. Bids for purchase of bonds expected about Oct. 14.

Tri State Linen White Corp., Jackson, Miss.

Sept. 8 (letter of notification) 20,000 shares ($1 par) common and 250 shares ($100 par) preferred. To be sold at par. No underwriting, to be sold through officers of company. For plant expansion and broadening sales territory.

United Utilities & Specialty Corp. (9/29-30)

July 10 filed 75,000 shares ($10 par) 5% cumulative convertible preferred. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$10 a share. The underwriters will receive a commission of $1.50 per share. In addition, they will be granted warrants to purchase 50,000 shares of the issuer's common at $5 a share. **Proceeds**—For additional working capital.

• Universal Service Corp., Chicago

Sept. 15 (letter of notification) 2,994 shares ($100 par) 5% preferred (cumulative), and 5,494 shares (no par) common. **Price**—$100 a preferred share and 10 cents a common share. No underwriting. For working capital.

Utah Chemical & Carbon Co.

Dec. 20 filed $700,000 5% 15-year convertible debentures due 1962, and 225,000 shares ($1 par) common. The statement also covers 112,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. **Price**—Debentures 98; common $3.75 per share. **Proceeds**—For plant construction, purchase of equipment and for working capital. Registration statement became effective June 28.

Vauze Dufault Mines, Ltd., Toronto, Canada

Mar. 31 filed 500,000 shares ($1 par) common. **Underwriter**—Name to be filed by amendment. **Price**—50 cents a share. **Proceeds**—For general operating expenses.

• Vernal Oil & Gas Co., Salt Lake City, Utah

Sept. 15 (letter of notification) 300,000 shares of common. **Price**—25 cents a share. To be sold through securities agents at a commission of 15%. Drilling well for oil and gas.

Wiard Plow Co., Batavia, N. Y.

Sept. 3 (letter of notification) 100,000 shares of common stock (par $1) with rights to purchase up to 10,000 additional shares. **Price**—$2.90 per share; rights 3¢. **Underwriter**—E. F. Gillespie & Co., Inc., New York. Pay bank loan, acquisition of small implement company and working capital.

Prospective Offerings

• Aluminum Industries, Inc.

Sept. 23 reported special stockholders' meeting will be held in October to authorize capital expansion program. Plan proposes increase in capital from 100,000 to 500,000 shares (no par) common, the declaration of a 100% stock dividend and the issuance of 100,000 shares for subscription to stockholders at rate of one share for each two shares held.

• Baltimore & Ohio RR.

Sept. 24 reported company has pending a proposal to issue about $11,000,000 in equipments, expected to be marketed in two lots. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. and Hutzler.

• Central Illinois Public Service Co.

Oct. 2 the SEC will hold a hearing on the proposal of the company (subsidiary of Middle West Corp.) to sell 319,300 shares ($10 par) common stock to Middle West and 110,700 shares to Halsey, Stuart & Co. Inc. at $10 a share. Central would use proceeds to finance additions and extensions to its electric facilities.

• Chesapeake & Ohio Ry. (10/7)

Company has issued invitations for bids to be received on or before noon (EST) Oct. 7 at office of H. F. Lohmeyer, Sec.-Tres., Terminal Tower, Cleveland, for $5,300,000 of equipment trust certificates. The certificates will be dated Oct. 15, 1947, and are to mature in equal annual instalments from Oct. 15, 1948, to Oct. 15, 1957. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler.

• Chicago, Burlington & Quincy RR. (10/7)

Company is inviting bids for the lowest interest rate at which bidders will provide the following: Not to exceed $1,252,900 from time to time before Jan. 31, 1948, for financing the acquisition of two new 6000 horsepower Diesel-electric freight locomotives and one new 4500 horsepower Diesel-electric passenger locomotive, and not to exceed $1,517,100 from time to time before Aug. 31, 1948, for financing the acquisition of 14 new stainless steel streamlined passenger train cars. Bids are to be submitted on or before noon (CST) Oct. 7 at Room 205, 547 West Jackson Blvd., Chicago.

Chicago Milwaukee St. Paul & Pac. RR. (10/1)

Company will receive bids up to noon (CST) at Room 744, Union Station Bldg., Chicago, for the sale of $2,240,000 equipment trust certificates, series AA, to be dated Oct. 1, 1947 and maturing in 20 equal semi-annual instalments April 1, 1948-Oct. 1, 1957. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Consolidated Edison Co. of New York, Inc.

Sept. 19 filed with the New York P. S. Commission application for permission to issue 1,750,000 shares of new preferred stock and $57,382,600 principal amount of convertible debentures. Proceeds from the sale of new preferred shares will be applied to the redemption at $105 of company's present 2,188,885 shares of $5 cumulative preferred stock which has a book stated value of $199,995,259. Proceeds from the sale of the convertible debentures will be applied (1) to redemption of the present preferred stock and (2) to reimbursement of company's treasury for sums expended for recent plant additions. The convertible debentures will be offered common stockholders on the basis of $5 principal amount for each share held, according to the terms put forward in the application to the Commission. The debentures will be convertible into common stock at rates to be determined by Edison's board of trustees. The interest rates on the debentures and the dividend rates on the new preferred stock also will be determined subsequently by the trustees. Traditional underwriter: Morgan Stanley & Co.

Denver & Rio Grande Western RR. (9/25)

Company has issued invitations for bids to be received on or before noon (MST) Sept. 25 at office of company, 201 Rio Grande Bldg., Denver, Colo., for $2,220,000 of equipment trust certificates. The certificates will be dated Nov. 1, 1947, and are to mature semi-annually from May 1, 1948, to Nov. 1, 1962. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Equitable Office Building Corp.

Sept. 23 ballots for voting on a plan of reorganization approved by Federal Court Sept. 12, were mailed to stockholders. Ballots are returnable Oct. 15. The plan, which has the approval of the stockholders committee and termed fair and equitable by the SEC, provides for raising, by an offering of shares to stockholders, of an

amount sufficient with other funds to pay off the principal and interest on $4,754,000 5% debentures and $3,000 6% gold bonds. The offering will be underwritten by Wertheim & Co.

● **Idaho Power Co.**
Sept. 24 the FPC authorized the company to issue 35,000 shares of 4% preferred stock (par $100) and 100,000 shares of common stock (par $20). Sale of stock probably will be negotiated with Blyth & Co., Inc., and Lazard Freres & Co. as underwriters. The purpose is to obtain capital for the construction, extension and improvement of operating facilities. Company also was authorized to issue short-term bank borrowing, aggregating $2,000,000 which it stated may be required to finance the construction program until proceeds from the proposal permanent financing are received.

● **Interstate Engineering Corp. (Calif.)**
Sept. 15 stockholders authorized an issue of 15,000 shares preferred stock (par $25). No further details available.

● **Jacksonville Terminal Co.**
Sept. 23 reported company has under consideration the refunding of its $4,000,000 of bonds outstanding which would entail the issuance of a new issue at lower interest rate. Issue may be placed privately through The First Boston Corp. as agent.

● **Michigan-Wisconsin Pipe Line Co.**
Sept. 18 at hearing before the SEC it was revealed that American Light & Traction Co. plans to purchase $25,000,000 of common stock of Michigan-Wisconsin to finance construction of pipe line. New company also plans sale of $40,000,000 20-year 3¼% bonds and $7,500,000 of serial notes. Probable underwriters: Dillon, Read & Co. Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp.

● **Munising Paper Co.**
Sept. 23 reported company contemplates early registration of 50,000 shares convertible preferred (par $10) and 100,000 common shares, with Straus & Blosser and Brailsford & Co. as underwriters.

● **National Tea Co.**
Oct. 1 stockholders will vote on increasing authorized preferred stock (par $50) from 32,300 shares to 72,300 shares. The present 32,300 outstanding shares would be redesignated cumulative preferred shares 4¼% series and the additional 40,000 shares would be designated cumulative preferred shares 3.8% series. Company intends to sell the new series privately and use the proceeds to increase working capital.

● **Portland General Electric Co.**
Sept. 19 reported company has under consideration plans for sale of between $6,000,000 and $7,000,000 bonds. Probable bidders include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.

● **Public Service Co. of Indiana, Inc.**
Sept. 20 reported company contemplating issuance of $15,000,000 1st mtge. bonds. Probable bidders: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.

● **Public Service Co. of Oklahoma**
Sept. 22 reported company may sell about $8,000,000 bonds for "new money" purposes. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.

● **Richmond, Fredericksburg & Potomac RR. (10/10)**
Company is inviting bids, to be submitted on or before noon (EST) Oct. 10, for the lowest rate of interest at which bidders will provide $400,000 for financing under a conditional sales agreement certain equipment to be acquired from American Car & Foundry Co.

● **Seaboard Air Line RR. (10/6)**
The company has issued invitations for bids to be received up to noon (EST) Oct. 6 for $4,500,000 of equipment trust certificates to be dated Oct. 15, 1947, and to mature $300,000 annually from Oct. 15, 1948, to Oct. 15, 1962. Bids will be received at office of Willkie, Owen, Farr, Gallagher & Walton, 15 Broad Street, New York. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Shields & Co. and associates.

● **Sorg Paper Co., Middletown, O.**
Sept. 19 reported company considering the issuance of $2,500,000 bonds, interest rate not to exceed 3½%. Proceeds to retire bank debt and increase working capital.

● **Southern Colorado Power Co.**
Sept. 22, as part of a plan to finance extensive improvements to its electric generating and distributing system properties, to purchase additional bus passenger transportation equipment, and to refund its presently outstanding serial notes, company proposes to issue and sell 29,810 shares of common stock and $1,600,000 of new serial notes, due semi-annually March 1, 1948 to Sept. 1, 1962. Company proposes to offer the additional shares of common stock to the holders of its presently outstanding common stock at $9.50 a share at the rate of one share for each 15 shares held, any unsubscribed shares to be offered to the public at $9.75 a share if 80% or more of the additional shares is subscribed for by stockholders, otherwise at $9.50 a share by an underwriting group consisting of Hutchinson and Co. of Pueblo, Colo., and Boettcher and Co. and Bosworth Sullivan and Co., Denver, Colo. It is expected that $1,000,000 of the new serial notes will be purchased by the Travelers Insurance Co. and $600,000 by the Guaranty Trust Co. of New York.

● **Southern Pacific Co. (10/2)**
Company requests bids for the lowest rate of interest, per annum, at which bidders will provide not more than $1,392,000 for financing, under an agreement of conditional sale to be dated Oct. 1, 1947, the acquisition by it from General Motors Corp. of three new Diesel-electric 6000 h.p. four-unit road freight locomotives, expected to be delivered in October 1947, at an estimated aggregate purchase price of $1,740,996, of which $1,392,000, or 80% of the actual aggregate purchase price, whichever is less, is to be financed. Bids will be received up to noon (EST) Oct. 2 at Room 2117, 165 Broadway, New York.

● **Southwestern Gas & Electric Co.**
Sept. 24 reported company may issue $7,500,000 bonds in near future. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly).

● **Vacuum Foods Corp.**
Sept. 20 stockholders were advised that company is considering refinancing plans which will solve its working capital problem. A committee has been appointed to formulate a program which will be submitted to stockholders at a subsequent special meeting.

Our Reporter's Report

Despite the growing furore as regards the pricing of new issues, particularly in view of the large backlog which is piling up, investment bankers evidently have not yet reached the stage where their thinking is being reflected in their actions.

Even though the rank and file complain that the working spreads, under the Securities and Exchange Commission's competitive rule, are too thin, the outcome of bidding for several utility loans this week failed to produce the "fireworks" which many had anticipated.

Rather the competition was as keen as ever and bankers appeared more concerned with "capturing" the bonds than with injecting some of their realistic views into their calculations. This despite the recent "hangover" experienced in cases like the Detroit Edison offering.

The successful bidders for Duquesne Light's $75,000,000 of 30-year first mortgage bonds to refund outstanding obligations, paid a price of 100.7699 for a 2¾% coupon and fixed a reoffering figure of 101.229 to yield 2.69%.

The group which took the Consumers Power Co.'s $25,000,000 new money issue of 30-year first mortgage bonds, paid 101.67 for a 2⅞% coupon and reoffered today at 102 to yield 2.77%.

Institutional buyers are quite as tough as they have been right along and in view of the slight hardening in the underlying government market, the general situation is regarded as in a state of "flux" at the moment.

Bidding Next Week

Bankers will have the opportunity of bidding for two more utility loans next week, one of them a large one, $40,000,000 of 35-year debentures of the New England Telephone & Telegraph Co., subsidiary of American Telephone & Telegraph.

Bids on this issue are due to be opened next Tuesday and it will be interesting to note what influence, if any, is exerted on the banking fraternity by its experience with New York Telephone's last issue.

On Sept. 29, Texas Electric Service Co., will open bids for $7,000,000 of 30-year first mortgage bonds.

October is due to open up in the new issue market with a negotiated offering of 199,101 shares of 4.20% convertible preferred stock of American Brake Shoe Co. slated for market on the first.

Consolidated Edison Co.

Rounding out of its capital refinancing, by reducing and replacing present preferred stock and raising of funds to defray part of the cost of additions and improvements is provided for in the latest program put before the Public Service Commission by the Consolidated Edison Co. of New York.

The company is seeking authority to issue and sell $175,000,000 of new preferred stock together with $57,382,635 face amount of convertible debentures.

Common stockholders would be given "rights" to subscribe for the new debentures in the ratio of $5 of the new issue for each common share held.

Insurance Firms Seek Funds

Two insurance companies are in the running for additional capital funds over the next month or two. The first in sometime.

Glens Falls Insurance Co. has gone into registration covering a projected issue of 150,000 shares of $5 par capital stock, to be offered to shareholders in the ratio of three new shares for each 10 held early in October.

Any unsubscribed shares will be purchased by an underwriting group.

Meantime Springfield Fire & Marine Insurance Co., plans to register 200,000 shares of capital stock which, it is expected bankers will offer publicly late next month.

Pacific Tel. & Tel.

One of the largest new money issues immediately ahead, involves a prospective offering of $100,000,000 of 40-year debentures for the Pacific Telephone & Telegraph Co. Like other companies in the Bell group this one has a large backlog of war-delayed construction which has been financed in part by advances from American Telephone, parent company.

The projected sale will provide funds for reimbursing the treasury for expenditures made for expansion and improvement and to liquidate the debt owing American Telephone, which at the time is expected to total $112,000,000 in 2¾% notes.

Floor Trading Procedure

(Continued from page 15)

tains such buying or selling orders until a full-lot transaction takes place one-eighth below the designated limit, if it was to buy, or one-eighth above the designated limit if to sell. All odd-lot transactions are reported back to the commission broker and then through his telephone clerk on the floor and his office to the ultimate customer.

Trading of specialists in the securities in which they are registered is limited by the Securities Exchange Act and is strictly regulated by a rigid set of rules of the Exchange to insure the best possible service to the public.

Supervision of Floor Trading

Operations upon the floor of all members are supervised and regulated by a committee of the Exchange known as the General Committee on Transactions. This committee is assisted by the Department of Stock Transactions, a group of employees trained to supplement the supervision of the committee itself. This system provides an assurance to the public of the execution of its orders in strict compliance with the rules of the Exchange.

An operation of great value to the public is one whereby, almost instantly, the market on the floor of the exchange in any security may be known to members through our quotation system.

At each trading post the specialist is required to report every change of quotation to our quotation center where attendants instantly show on a master board the current market. Members may at any time call the center and learn the immediate market. It will be readily perceived what an advantage this is in enabling a member to give instant information to an inquiring customer.

I feel sure that your visit to the trading floor of the Exchange later today will help to clarify in your minds the procedures which I have endeavored to outline in my remarks.

The European Crisis

(Continued from first page)

is real and that it has profoundly serious implications for all of us.

The problem of European recovery is enormously complicated. There is a crisis in material things and a crisis in morale. Both these crises have their immediate and their long-term aspects.

It is becoming increasingly clear that both here and abroad everyone underestimated the degree of physical and spiritual damage wrought by five years of total war. Even today, nearly 2½ years after Germany's surrender, the evidences of destruction are on all sides.

In the City of London, the heart of what was formerly the financial center of the whole world is still a vast, flattened area of rubble, where the purple fireweed blooms among the crumbled bricks and mortar. In Rotterdam, Holland's great seaport and commercial center, you can still look right through the middle of the city without anything to obstruct the view of the countryside beyond save, here and there, a stump of ruined masonry. Berlin is only a ghost city whose people live in cellars and in the shattered wreckage.

Throughout the liberated countries farmers till their fields beside the roofless ruins of their old stone barns. Here and there the twisted wrecks of Tiger tanks still lie in fields and along hedgerows to mark the places where the tide of battle passed. Hardly a town seems to have escaped without some wrecked homes.

Even in the great cities many buildings, otherwise undamaged, still lack glass for their windows. Everywhere along the main roads, at intersections, and especially near the coast, there remain the massive concrete pill-boxes and bunkers that the Nazis built. Literally, the people of Europe are still living upon the battlefields.

The destruction wrought by five years of total war must be repaired before there can be any hope of a resumption of normal economic activity. Think for one moment what it meant to have all the bridges destroyed. Before any materials could be moved or the most rudimentary commerce reestablished all of those bridges had to be repaired or replaced. To add to the difficulties, Europe has been afflicted this year with a Winter of unprecedented severity and a Summer marked by the worst drought in many decades. The sheer physical problem of recovery from the destruction and dislocation of war is enormous.

Beyond this, it is gradually becoming apparent that the long-term problem of restoring economic stability to Western Europe reaches even deeper than the ravages of the Second World War. Europe is, in fact, suffering from the effects of two World Wars and the depressed years that intervened. Europe is facing the necessity of adjusting to a world that has greatly altered in the period covered by those two World Wars.

The position of Great Britain illustrates the profound changes that have taken place. During the 19th century Great Britain rose to

(Continued on page 46)

The European Crisis

(Continued from page 45)

a position of unquestioned primacy in the world. She was the leading industrial nation, the world's banker; her navy ruled the seas and the sun never set upon her possessions. Britain at that time was immensely rich. The products of her industry were in eager demand among the food and raw material producing nations. Her huge business in shipping, banking and insurance brought in a share of profits from the commerce of many other countries. The income from her world-wide investments was very large.

Britain's adventurous sons had scoured the earth and brought her back the riches of many lands. Thus situated, Great Britain was able to maintain at a relatively high standard of living a population far larger than could be supported by her own soil.

In the First World War Britain lost almost the entire manhood of one whole generation. She lost her primacy as the world's banker. She acquired heavy external war debts which she ultimately had to confess herself unable to meet. Her people, for the first time, found themselves burdened with onerous and discouraging taxes. As an aftermath of that war Britain's pound sterling ceased to be the world's foremost medium of exchange and became an irredeemable currency. Her industrial plant became more and more antiquated. Yet Great Britain remained a great power and it was Britain in the end that drew a line past which Hitler could not go without having to fight.

In the Second World War Britain suffered further terrible losses. The bulk of her foreign investments is now gone. Her shipping has been largely destroyed. Her debts are crushing and her industry is in need of large-scale rebuilding and modernization. Add to this the fact that she must devote much of her energy to the repair of her bomb-damaged towns and cities so that her people can once again have a place in which to live and work.

Today more than ever it is true that Britain must export or die. Yet the world has greatly changed since the days of the 19th century when Britain developed the pattern of her industrial economy. Eastern Europe, from which Western Europe formerly received much of its foodstuff, is now cut off behind the iron curtain. The whole area under the influence of Soviet Russia is withdrawn from the channels of normal trade and is seeking to develop a self-sustaining autarchy. The United States has become by all odds the leading industrial nation in the world. Other raw material and food producing countries are seeking more and more to develop their own industries. Among all nations trade is throttled by a spirit of nationalism and the desire for self-sufficiency. The ties of empire have been loosened and in some cases broken. In such a world there is a very real question whether Britain, weakened by two world wars and a world depression, can survive without drastic readjustments.

In a broad sense what is true of Britain is true of Western Europe as a whole, although there is much variation among the nations. Western Europe has a population far larger than can be supported by the food and raw materials produced by that area. Its past prosperity was based upon industrial supremacy which enabled it to exchange the products of its factories for the food and raw material it needed. But the basis of that prosperity has been destroyed. Europe no longer enjoys industrial supremacy. The traditional sources of much of its food have been cut off or diverted and increasing difficulties lie in the way of the exchange of Europe's industrial products for the food it must have if its people are not to die.

From the standpoint of sheer economics, both short-term and long-term, the situation is certainly grim enough, but it is further complicated by psychological and social factors. The scars of the war show plainly. On the Continent, in the city streets the pock-marked walls of buildings show where bullets have spattered. Perhaps there will be a little tablet nearby saying, in effect, "Here a hero died for his country," or perhaps it will merely be left to some passerby to say, "Here the Gestapo took some people from their homes one night and shot them." Everywhere there are reminders of fear and hate and death.

In Great Britain one can sense the weariness left by years of desperate effort, nights of terror and danger and the long dreary time of scanty food, shabby clothes and only work, work, work, with nothing to show for it. Nothing, that is, except a victory which has thus far failed to bring the freedom from want and freedom from fear that the common man was promised.

In France there is a sense of frustration left by years of occupation, of political division and wounded national pride.

Intimately associated with this universal feeling of frustration in victory is the growing but disagreeable realization that Europe cannot revive without Germany. Save possibly in England there is nothing but hatred and unforgiveness toward Germany in Europe, and yet it is becoming plain that the idea of reducing Germany to a level of agrarian subsistence will not work. The most important single industrial region in Europe, the Ruhr, is currently producing virtually no steel and only half its prewar output of coal. Europe needs the coal and steel which the Ruhr can produce and which only the Ruhr can produce quickly enough. Europe needs to revive at least some of the old lanes of trade with Germany in order that that country may contribute to European recovery instead of acting as a continuing drain upon European strength.

Beyond the psychological scars left by the war, there is the continuing influence of the Great Depression and the world-wide trend toward Socialism which it evoked. Obviously from the standpoint of simple economics the situation in which Western Europe finds itself today is one that calls for harder work than ever before, and yet, quite understandably, great masses of the people feel that victory should have brought them the right not to harder work and a lower standard of living but to less work and a more abundant life.

For many years Great Britain's Socialist labor leaders have been telling their followers that most of the evils of the modern world were due to the shortcomings of capitalism. They have promised that under Socialism, poverty and hardship would disappear, the danger of war would vanish and everyone, except possibly the wicked bankers, would work less and have more.

When the war came to England in 1939 there were able-bodied men 40 years old in that country who had never had a job. Fear of unemployment had become deeply ingrained in the working people and a philosophy of go slow and stretch out the work in order to make as many jobs as possible was fixed in the mind of labor.

The repercussions upon Great Britain of our own New Deal, with its emphasis upon curtailed production, shorter hours and redistribution of purchasing power, only served to strengthen this point of view in Britain. During the war opinion seems to have crystallized among the majority of the British people. They wanted social security from the cradle to the grave, large-scale public housing, nationalization of key industries, a five-day week, more leisure, better living, better education for their children, better working conditions. Moreover, they were bitter against a Tory party that was tarred with the brush of appeasement and which had been in office during the critical years when Hitler rose to power and when a war that might have been prevented was allowed to become inevitable. So the British people elected a Socialist government; but the dreams and promises have turned to bitterness. Less work still stubbornly produces less coal.

Unhappily the average Briton still does not grasp the gravity of his country's position, nor has it yet been made clear to him by Britain's leaders. There is endless

FINANCIAL NOTICE

This is not an Offer

TO THE HOLDERS OF

City of Bogota

(Republic of Colombia)

8% External Sinking Fund Gold Bonds of 1924

Dated October 1, 1924, Due October 1, 1945

Municipality of Bogota

(Republic of Colombia)

Power and Light Consolidation Loan of 1927
Twenty-Year External 6½% Secured
Sinking Fund Gold Bonds

Dated April 1st, 1927—Due April 1st, 1947

NOTICE OF EXTENSION

The time within which the Offer, dated November 15, 1944, to exchange the above Bonds and the appurtenant coupons for Republic of Colombia, 3% External Sinking Fund Dollar Bonds, due October 1, 1970, may be accepted is hereby extended from October 1, 1947 to October 1, 1948.

Copies of the Offer may be obtained upon application to the Exchange Agent, The National City Bank of New York, Corporate Trust Department, 20 Exchange Place, New York 15, N. Y.

FERNANDO MAZUERA
Mayor of Municipality of Bogota
(Republic of Colombia)

September 25, 1947

REDEMPTION NOTICE

NOTICE OF REDEMPTION

THE DETROIT EDISON CO.

General and Refunding Mortgage Bonds, Series F, 4%, due October 1, 1965

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Mortgage and Deed of Trust of The Detroit Edison Company, dated as of October 1, 1924, and of the Indenture dated as of September 25, 1935, supplemental thereto, to Bankers Trust Company, as Trustee, The Detroit Edison Company has elected to redeem and pay, and will redeem and pay in lawful money of the United States of America, on November 17, 1947, all of its General and Refunding Mortgage Bonds, Series F, issued and outstanding thereunder.

Accordingly, on November 17, 1947, there will become and be due and payable upon each bond of such Series F, upon presentation with all coupons maturing subsequent to October 1, 1947, at the principal office of the Trustee, Bankers Trust Company, Corporate Trust Department, 16 Wall Street, New York 15, N. Y., the principal amount thereof, together with accrued interest to November 17, 1947, and a premium of 5% of the principal amount of each such bond. From and after November 17, 1947, interest on such bonds will cease to accrue, the coupons for interest maturing subsequent to that date will be void and such bonds and coupons will cease to be entitled to the benefit of the lien of said Mortgage and Deed of Trust.

Bonds presented for redemption should have attached all coupons maturing after October 1, 1947. The October 1, 1947, coupons appertaining to such bonds should be detached and presented for collection in the usual manner.

In case registered bonds are presented and payment to other than the registered holder is desired the transfer tax due must be paid and the bonds must be assigned in blank or accompanied by properly executed instruments of assignment in blank.

THE DETROIT EDISON CO.
By John L. MacLeod, *Treasurer.*

Dated, September 17, 1947

NOTICE OF PRIOR PAYMENT

The Detroit Edison Company has instructed Bankers Trust Company to pay on and after September 17, 1947 the principal of and premium and accrued interest to November 17, 1947 on any of said Bonds which are presented at the Corporate Trust Department of Bankers Trust Company, 16 Wall Street, New York City. All coupons maturing after October 1, 1947 should be attached to the Bonds.

As a convenience to the bondholders, arrangements have been made by Bankers Trust Company so that if said bonds and coupons are presented at the Principal Office of National Bank of Detroit, 600 Woodward Avenue, Detroit 26, Michigan, or at the Principal Office of The Manufacturers National Bank of Detroit, 151 West Fort Street, Detroit 31, Michigan, the holder thereof will receive payment in Detroit upon the terms above stated.

REDEMPTION NOTICE

NOTICE OF REDEMPTION

To the Holders of

WENTWORTH MANUFACTURING COMPANY

Convertible Preferred Stock

NOTICE IS HEREBY GIVEN that Wentworth Manufacturing Company, pursuant to the provisions of its amended Certificate of Incorporation and pursuant to resolutions of its Board of Directors, has elected to redeem and will redeem, on October 15, 1947, all of the outstanding shares of its Convertible Preferred Stock.

Accordingly, there will become due and payable on October 15, 1947, on each share of the Convertible Preferred Stock of the Company called for redemption, upon the surrender of certificates therefor at the office of CHEMICAL BANK AND TRUST COMPANY, Redemption Agent, No. 165 Broadway, New York 15, New York, $17.50 per share, plus accrued and unpaid dividends thereon to the date fixed for redemption, to wit, 16⅔¢ per share.

As provided in the amended Certificate of Incorporation and the certificates for said shares, holders of the Convertible Preferred Stock called for redemption may, at their option, at any time up to the close of business on the tenth day prior to the date fixed for redemption, convert their shares into shares of Common Stock of Wentworth Manufacturing Company at the rate of two shares of such Common Stock for each share of Convertible Preferred Stock, upon surrender of certificates for such shares to CHEMICAL BANK AND TRUST COMPANY (Corporate Trust Department), 165 Broadway, New York 15, New York, transfer agent for the stock, on or before the close of business on October 6, 1947.

Wentworth Manufacturing Company will before the date of redemption deposit in trust for such redemption with CHEMICAL BANK AND TRUST COMPANY all funds necessary for such redemption. As provided in the amended Certificate of Incorporation, except as to (i) the above mentioned right of conversion before the close of business on October 6, 1947, and (ii) the right to receive from CHEMICAL BANK AND TRUST COMPANY, from the funds so deposited in trust, the redemption price for said shares, without interest, the shares called for redemption as aforesaid will after such deposit no longer be deemed outstanding. The right to receive dividends thereon will cease to accrue from and after October 15, 1947 and all rights of the holders of said shares will cease and terminate.

The books for the transfer of shares of the outstanding Convertible Preferred Stock called for redemption as aforesaid will be permanently closed at the close of business on the last business day preceding said redemption date.

By order of the Board of Directors
WENTWORTH MANUFACTURING COMPANY
By ALVIN A. SOPKIN, *President*

FALL RIVER, MASSACHUSETTS, September 5, 1947.

talk of a "dollar shortage," the implied suggestion being that this is due to American parsimony. There is much brave talk about the need for "pulling in our belts" and going on shorter rations and giving up what few pleasures remain in the dreary life of the average Englishman today.

Actually, of course, there is no shortage of dollars. There is a great plethora of dollars in the world. What is short is goods and the production of goods. What is needed is more work, increased efficiency, a greater willingness to face facts no matter how disagreeable, and it is a fact also that pulling in one's belt and reducing one's already scant food ration, however praiseworthy, will not of themselves produce one additional lump of coal.

There are men in Europe, as well as here, who argue that in the light of all these adverse factors it would have been better if the United States had limited its postwar aid and that it will be better if all future aid is denied. Stripped to its essentials the basic argument of these men is this: That the fundamental problem of Europe is poverty, that poverty can only be cured by hard work, that men will only work hard if the lash of hunger is laid upon their backs.

Those who reason this way are, of course, men of extremely conservative social and economic views. Curiously enough they find themselves in agreement with the Communists, who also are opposed to American aid. The Communist argument is that American aid means enslavement to the dollar and the exploitation of Europe by the predatory economic imperialists of Wall Street.

There are other men who argue against any further aid to Europe on such grounds as the following: That we cannot afford to feed the world; that our aid will only encourage European countries to defer the fundamental adjustments they must ultimately make; that our so-called loans to Europe are really gifts that will never be repaid; that by financing large exports through government loans we are dangerously adding to our inflation here at home; that it is a delusion to think we can prevent the spread of Communism by making loans to Socialist governments; that the billions already spent have produced only demands for more billions; and that in the end we shall have little gratitude but probably much abuse.

There is a good deal of disagreeable truth in these arguments, but it is not the whole truth. Europe is in a most difficult and unhappy position and Europe is not in all respects behaving very well. Yet it is not Europe alone that has some difficult decisions to make. We also must choose between alternatives neither of which is very attractive.

On the one hand, we can help Europe through the difficult period of recovery and re-adjustment which it faces. This involves many of the drawbacks I have already mentioned. On the other hand, we can leave Europe to struggle alone. In this case we will certainly condemn large numbers of our comrades in arms to literal starvation; we shall certainly face conditions of financial crisis and economic depression over a wide and critical section of the world; we shall risk the plunging of all Europe into such chaos and misery as may lead to a political and social upheaval of lasting significance. We would be foolish to take such a risk in the world as it exists today. We must help to bring about an orderly recovery in Western Europe. But in giving this help, it seems to me, our country might well take the attitude of a prudent banker who is consciously making a rescue loan. Such a loan is not likely to be either unlimited or unconditional. It should not be necessary to attempt to tell our late allies how they must run their internal affairs, but we should certainly ask in broad terms that they show satisfactory plans and progress in bringing about expanded production and in restoring financial stability. Our people will require, and rightly so, that their aid to the nations of Europe achieve its purpose and they will expect these nations to undertake such specific programs of self-help and reform as will bring success to the whole crucial enterprise. For our own part we shall need to show the qualities that made our nation great: Courage and common sense and the willingness to lend a helping hand to those who will help themselves.

It is not too much to say that having fought a war to preserve human freedom in the world, if we now pull back from Britain, France and the rest of Western Europe, we may see that freedom for which we fought strangled before our eyes. It must not be forgotten than when men are faced with hunger and privation they have been known to barter freedom for the promise of security even though the promise is false.

When the choice is stripped to its essentials, there is only one decision. In a world still reeling and gasping from a five year struggle to break the stranglehold of tyranny we are the one strong, freedom-loving nation. We cannot now abandon those whom we helped to rescue from one dictatorship to allow them to fall helpless victims of another.

Herrick, Waddell Offers Acme Electric Common

An issue of 123,246 shares of common stock, par value $1, of Acme Electric Corp., is being offered at $5 per share by Herrick, Waddell & Co., Inc. Of the shares offered $58,880 shares are being sold for the account of the company and the balance, 64,366 shares are being sold for the account of four stockholders. The company will use the proceeds to pay current bank loans and for working capital.

Bonner & Bonner Market Revere Racing Stock Issue

Bonner & Bonner, Inc., is making a public offering of voting trust certificates for 130,000 shares of no par common stock of Revere Racing Association, Inc., owner and operator of a greyhound racing track and park at Revere, Mass. The certificates, which are priced at $5.75 each, are being offered on behalf of certain stockholders and no proceeds from the sale will accrue to the company.

According to the best information of the officers of the company, the prospectus states, this is the first public offering of securities of a greyhound racing business in this country. The prospectus adds, however, that there are about 20 stocks of English greyhound racing companies listed on the London Stock Exchange.

DIVIDEND NOTICES

New Union Goldfields Group of Companies

DECLARATION OF DIVIDENDS

NOTICE IS HEREBY GIVEN that Dividends have been declared payable to shareholders registered in the books of the undermentioned Companies at the close of business on the 19th September, 1947.

The Transfer Books and Register of Members will be closed in each case from 20th September, 1947, to 4th October, 1947, both days inclusive.

The dividends are declared in the currency of the Union of South Africa and Warrants in payment will be posted on 7th November, 1947, from the Head Office and the London Office (in the case of those Companies which have a London Office).

Dividends payable from the London Office (of those Companies which have a London Office) will be paid in British currency at par provided there is no difference that may be regarded by the Boards as material between South African and British currencies on the 7th November, 1947. Should there be any such material difference the London Office will pay on the basis of the equivalent British currency calculated at the rate of exchange ruling on that date.

Warrants despatched from the London Office to persons resident in Great Britain or Northern Ireland will be subject to a deduction of United Kingdom Income Tax at rates to be arrived at after allowing for relief (if any) in respect of Dominion Taxes.

The Companies will deduct the Non-resident Shareholders' Tax of 7½ per cent. from dividends payable to Shareholders whose addresses in the Share Registers are outside the Union.

ORDINARY SHARES

Name of Company (Each of which is incorporated in the Union of South Africa)	Dividend No.	Rate per Cent.	Rate per Share
New Union Goldfields, Ltd.	16	30	1/6
East Rand Gold, Coal and Estate Co., Ltd.	8	100	3d.
Eastern Transvaal Consolidated Mines, Ltd.	23	5	3d.
Lydenburg Gold Farms Company, Limited	17	25	5¼d.
New Mines, Limited	16	50	10/-
New Witwatersrand Gold Exploration Co., Ltd.	3	7½	4½d.
Rooderand Main Reef Mines, Ltd.	2	15	9d.
Somerset Investment Corporation, Ltd.	3	7½ + 5 Bonus	2/6
West Rand Development and Exploration Company, Ltd.	2	50	2/6
Western Areas, Ltd.	11	25	7½d.
INDUSTRIES			
Amalgamated African Hotels, Ltd. (Hotels and Catering)	12	15	9d.
First Electric Corporation of South Africa, Ltd. (Electric and Malleable Iron)	1	5	3d.
Kinemas, Ltd. (Theatres and Entertainments)	21	7½	4½d.
I. Kuper & Co., Ltd. (Land and Estate)	35	20	4/-
Radford Adlington Holdings, S.A., Ltd. (Printing and Stationery)	3	17½	10½d.
S.A. General Industries, Ltd. (Canvas, Textiles and Pharmaceutical, etc.)	2	10	6d.
The South African Alkali, Ltd. (Tanning and Salt)	18	10	6d.
The Union Cold Storage of South Africa, Ltd. (Meat and Ranching)	2	10	6d.

By Order of the Boards,
NEW UNION GOLDFIELDS, LIMITED, *Transfer Secretaries.*
per F. J. M. VAN ZYL.

Registered Office: New Clewer House, 31 Simmonds Street (P.O. Box 8653), Johannesburg.

29th August, 1947.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared a dividend of 25c per share on the Common Stock, payable October 1, 1947 to Stockholders of Record at the close of business September 18, 1947. Transfer books will remain open.

ROBERT B. BROWN, *Treasurer.*

OTIS ELEVATOR COMPANY

COMMON DIVIDEND NO. 160

A dividend of 50¢ per share on the no par value Common Stock has been declared, payable October 29, 1947, to stockholders of record at the close of business on October 6, 1947.

Checks will be mailed.

C. A. SANFORD, *Treasurer*
New York, September 17, 1947.

International MINERALS & CHEMICAL CORPORATION

General Offices
20 North Wacker Drive, Chicago

Dividends were declared by the Board of Directors on September), 1947, as follows:

4% Cumulative Preferred Stock
22nd Consecutive
Regular Quarterly Dividend
of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock
Regular Quarterly Dividend of
Forty Cents (40c) per share.

Both dividends are payable September 30, 1947 to stockholders of record at the close of business September 19, 1947.

Checks will be mailed by the Bankers Trust Company of New York.

Robert P. Resch
Vice President and Treasurer

Mining and Manufacturing
Phosphate • Potash • Fertilizer • Chemicals

DIVIDEND NOTICES

The Weatherhead Company

A quarterly dividend of $1.25 per share has been declared by the Board of Directors on the outstanding Preferred Stock of the Company, payable October 15, 1947, to stockholders of record at the close of business on October 2, 1947.

MORRIS H. WRIGHT, *Treasurer*

September 16, 1947
Cleveland, Ohio

SOUTHERN CALIFORNIA EDISON COMPANY

Common Dividend No. 151

Cumulative Preference Convertible Dividend

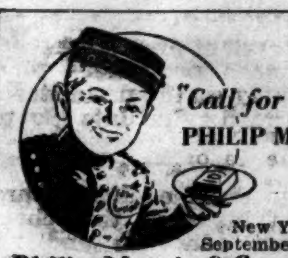
The Board of Directors has authorized the payment of the following quarterly dividends:

37½ cents per share on the Common Stock, payable October 31, 1947, to stockholders of record on October 5, 1947

28 cents per share on the Cumulative Preference Stock 4.48% Convertible Series, payable October 31, 1947, to stockholders of record on October 5, 1947

O. V. SHOWERS
Secretary

September 19, 1947



"Call for PHILIP MORRIS"

New York, N. Y.
September 18, 1947

Philip Morris & Co. Ltd., Inc.

The regular quarterly dividend of $1.00 per share on the Cumulative Preferred Stock, 4% Series, and the regular quarterly dividend of 90¢ per share on the Cumulative Preferred Stock, 3.60% Series have been declared payable November 1, 1947 to holders of Preferred Stock of the respective series of record at the close of business on October 15, 1947.

There has also been declared the quarterly dividend of 37½¢ per share on the Common Stock, ($5 Par), payable October 15, 1947 to holders of Common Stock of record at the close of business on September 30, 1947.

Pursuant to a resolution adopted at the Stockholders' Meeting held on July 10, 1945, no Certificate representing a share or shares of Common Stock of the par value of $10 each is recognized, for any purpose, until surrendered, and a Certificate or Certificates for new Common Stock of the par value of $5 each shall have been issued therefor. Holders of Certificates for shares of Common Stock of the par value of $10 each are, therefore, urged to exchange such Certificates, for Certificates for new Common Stock of the par value of $5 per share, on the basis of two shares of new Common Stock $5 par value, for each share of Common Stock of the par value of $10.

L. G. HANSON, Treasurer.

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

The Chase National Bank of the City of New York has declared a dividend of 40¢ per share on the 7,400,000 shares of the capital stock of the Bank, payable November 1, 1947 to holders of record at the close of business October 6, 1947.

The transfer books will not be closed in connection with the payment of this dividend.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
W. H. Moorhead
Vice President and Cashier

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Don't be fooled into believing the Marshall Plan is to be based on America's ability to pay. That's nonsense. In the end, the Administration will fix some arbitrary figure and ask Congress to OK it. The lawmakers will demur—may slice off a few billion. They'll hedge and delay. But ultimately the President will be told to go ahead and divvy more dollars in helter-skelter fashion.

* * *

Ask Commerce Secretary Harriman about measuring our ability to pay! By direction of the White House, and with competent help, he's been striving for weeks to design such a yardstick. His latest report — nothing to report. He's still scratching his head, but not very hopefully.

* * *

Harriman and his brain workers have learned the hard way there just isn't any scientific formula for weighing out how much steel, how much food, how much machinery we can give away without impairing our own economy. So the Marshall plan is to be the product of guesswork—guesses by foreign nations how much they can extract from us, guesses by the President how much he can extract from Congress, and guesses by Congress how much can be extracted from the taxpayers. Your guess right now is as valid as those peddled by the tipsters.

* * *

But you can rely on one prediction — Congress won't be rushed willy-nilly into Marshall legislation.

* * *

At least one time-tested government analyst is willing to demonstrate—by back issues of the "Chronicle" — we're skating on the same thin economic ice that spilled us into the chilly 1920 postwar recession. He respects historical precedents, has a fair record of projecting them. His current projections place the country on the perimeter of a downward spiral into gloomy depths.

* * *

From a stack of 1920 "Chronicles" on his desk this chartist yanks out editorials and news stories for comparison with those we read today. There's a startling similarity. He concludes: the setback will (1) hit us sooner, (2) hurt us more, (3) leave us less tranquil than the experts concede.

* * *

Don't be fooled by the newest meatless day crusade. The motto makers themselves don't expect consumers to eat less meat, don't anticipate the populace will go vegetarian.

* * *

Actually, food prices will continue to spiral higher, then will spiral lower, than prices for other goods. It's an historical fact that fluctuations in food prices are characteristically greater, at both wholesale and retail, than for most manufactured items and other commodities. Stabilization of food prices consequently requires a longer period.

* * *

The Taft Committee on the economic report presents the following pattern of income changes from 1940 to 1946: net income of unincorporated enterprises—all industries up 186%, manufacturing industries up 313%, food and kindred products up 450%; corporate profits before taxes—all industries up 111%, manufacturing industries up 95%, food and kindred products up 212%. They make no effort to project the plunge during the inevitable future adjustment.

The Taft staffmen, as a byproduct of their general studies, come up with the suggestion that government parity price support relieves rather than increases pressure for higher prices. They argue price support (1) lessens market risk, (2) thereby encourages farm production, (3) reduces scarcity, (4) minimizes public bidding for items in short supply. That's a novel theory from investigators on the Republican payroll. It hasn't been sanctioned yet by the committee members.

* * *

Trade and government economists are vexed by the boom in cocoa futures, doubt that the International Emergency Food Council can curb the trend. An IEFC working group convened Sept. 22 in Amsterdam to recommend world-wide cocoa allocations for the year commencing in October. Recommendations will go before an IEFC committee in London in November. IEFC people talk of hiking the U. S. allotment but have small hope this would hobble prices.

* * *

With the Justice Department and Federal Trade Commission both gunning for the Miller-Tydings fair trade act, the Commerce Department is offering to tell small enterprise—for 15 cents—how to maintain prices under that statute. Justice and FTC counselors vow the Miller-Tydings and complementing state laws help keep prices high. With debonair disregard, the Commerce Department has produced a bulletin—15 cents at the Government Printing Office—explaining how to negotiate minimum price contracts and "How to Make Contracts Stick."

* * *

Congress in its next regular session is to extend Government controls on grain exports. They expire March 31, will be continued despite farm opposition.

* * *

In practice, export controls have retarded rising grain prices but little. During fiscal 1946, corn exports were limited to 3.5% of production but corn price jumped 28%. Oat exports totaled only 1.5% of production as against a 15% price hike. With rye shipments restricted to 3% of production, the rye price rose 21%. The relationship between wheat exports and price was more apparent, with exports totaling 34% of production and prices rising 47%.

* * *

The Commerce Department — officially — is claiming the 100% cash margin requirement imposed in January, 1946 on stock transactions minimized that year's growth in private noncorporate commercial, financial and consumer debt. Such indebtedness climbed $400 million in 1946, would have mounted much higher in the absence of the Federal Reserve's margin mandate. A drop of $4.2 billion in security loans from banks and brokers offset expansions of 31% in noncorporate commercial credit and 53% in consumer credit. So say the commerce analysts.

* * *

OK'd by the House last session and now in the Senate Commerce Committee is the Rizley bill denying FPC control over end production and distribution of natural gas. FPC knows that measure can't be blocked, is maneuvering for a compromise. Don't bank on any compromise — the utility people have the votes, are in no mood to dicker.

* * *

Utilities will try—and succeed in part—to nudge through legislation early next year curbing Federal Power Commission jurisdiction over intrastate operations of gas and power companies. The bills went in last session, are now stuck in committee. First effort will be to jolt them loose and onto Senate and House legislative calendars. That can be done, but thereafter opposition will stiffen.

* * *

In a less favored position are the Miller bills redefining navigable streams and restricting FPC domination of intrastate power company transactions. These proposals progressed through House Commerce Committee hearings this year, probably can't be enacted as written. A compromise limiting their scope to a prohibition against FPC licensing manufacturing plants generating power for their own consumption has been advanced by FPC, may ultimately be accepted. One fact is certain: FPC will emerge from 1948 with less authority than it now flaunts.

BUSINESS BUZZ

"How was your speech, dear?"

Platinum Increasing in Popularity As Hedge Against Inflation

Growing interest in platinum was reported on Wall Street and inflation-minded investors are taking another look at that metal.

Actually, investors, brokerage houses and banks have been noting the growing interest in platinum for months, and trade circles are agreed now that the metal has been found that, like gold, it will provide a long-term hedge against the decreasing purchasing power of the dollar.

Irving J. Louis

Irving J. Louis, of Bache & Co., declares that to most persons platinum has merely been the precious metal used by the jewelry trade. Quite apart from the jewelry trade, Mr. Louis says, wide uses have been found for platinum in the electrical, chemical and dental fields.

Since the lifting of government use and price controls, platinum has found its widest exploitation in the jewelry trade. Last year, purchases of platinum metals by that industry amounted to 204,901 ounces, almost 50% of the total U. S. sales.

More recently, because of its extreme hardness, platinum has been mentioned in conjunction with uranium handling and in radar devices.

In the field of finance platinum earned itself a place early in the last century when Russia began coining the metal. Seventeen years later, in 1845, coinage was stopped because platinum's value had risen to a point where it paid to export it for the metal content.

It has been reported recently that Russia is building up a platinum stockpile that may ultimately compete with gold stocks of both the U. S. and Britain. Such a development is looked on with interest and with some favor in financial circles.

World production of platinum is about 400,000 ounces a year, including an estimated minimum 100,000 ounces produced in Russia.

"The move towards platinum," Mr. Louis declares, "is developing right before our eyes, as more and more investors come to appreciate platinum's qualities and weigh them first against the decrees prohibiting public holding of gold and second, against the high cost of storing silver."

Geo. B. Chipman Dead

George Bowie Chipman, one of the Washington managers for Laidalw & Co., members of the New York Stock Exchange, died at his home after a year's illness at the age of 68.

T. E. Eckfeldt Joins Stroud & Co. Staff

PHILADELPHIA, PA.—The investment firm of Stroud & Co., Inc., 123 South Broad Street, members of the Philadelphia Stock Exchange, announce that Theodore E. Eckfeldt has become associated with their Philadelphia office. Formerly with the Philadelphia office of Brown Brothers Harriman & Co. for 11 years, Mr. Eckfeldt served as Captain in the Army in World War II in Africa and Europe.